

Before the
Postal Regulatory Commission
Washington, DC 20268-0001

Regulations Establishing System of Ratemaking

Docket No. RM2007-1

National Association of Letter Carriers
Response to Other Parties' Comments on
Proposed Rulemaking Concerning
Exigency Clause and Future Complaint Procedures

The National Association of Letter Carriers (NALC), representing 300,000 active and retired letter carriers, respectfully submits its response to other parties' comments to the Postal Regulatory Commission (PRC) regarding the development of a new regulatory policy under the Postal Accountability and Enhancement Act (PAEA), PL 109-435.

Overview

Postal reform was designed to 1) ensure the long-term viability of the United States Postal Services (USPS), 2) assure continued high-quality service, 3) streamline the ratemaking process, 4) provide flexibility in ratemaking to allow USPS to adjust to the

market environment, and 5) establish a fair ratemaking system in view of USPS's dominant market position in certain areas.

The viability of the USPS and the requirement of "postal services of the kind and quality adapted to the needs of the United States" are the fixed core elements of the legislation. The other provisions of the law are designed to support those bedrock principles, and have flexibility built in to meet changing circumstances.

The Commission should take care in its rule making process to preserve both the integrity of the core principles of the legislation, and the appropriate degree of flexibility with respect to implementing provisions.

Exigency Clause

During the extended period of time during which PAEA and its antecedents were under consideration, NALC expressed serious concerns regarding the concept of a "price cap", especially one unrelated in any meaningful way to USPS costs.

Ultimately, however, in the legislative process the CPI-U mark emerged and established traction as a compromise. While the items contained in the index and the weights assigned to them bear little resemblance to the USPS cost structure, the fact is that the CPI-U and the cost of postage tracked each other closely (perhaps coincidentally) during the years since postal reorganization.

One must be concerned, of course, that the next 10 years may prove a more challenging environment than the past. Economic uncertainties exist that are both within and outside of the USPS's control, some of which might be managed under the cap and others might cause the USPS to file for an exception.

Accordingly, NALC agrees with the Direct marketing Association that any effort to predefine the proper use of the exigency clause would be unnecessary, imprudent, and ultimately futile, and that exigency filings should be addressed on a case-by-case basis. This will allow the PRC to collect facts and data for each case and to make informed decisions based on the individual situation at hand. This pragmatic approach would avoid the problem of trying to shoehorn unpredicted and perhaps unpredictable circumstances into a pre-determined formulaic framework.

However, we note that the exigency clause includes no sunset or time-limit as suggested by the Direct Marketing Association. If the USPS is required to file for an exception to the CPI-U cap, the increase in needed revenue should be spread over all future revenues, and should not be a larger, temporary increase for a given number of years. In any event, any instance where this exception is used will likely be reviewed at the 10 year mark, when the rate cap is due for a total review.

Future Complaint Procedures

Streamlining and flexibility in the ratemaking process were two of the driving forces behind PAEA. The legislative intent was clearly to reduce the challenges that the USPS

will face under the new regulatory regime. Rate-related complaints should be limited to instances where the USPS requests an exception to the CPI-U rate cap.

PRC should not welcome rate complaints concerning increases that are in compliance with the defined CPI-U level.

Respectfully submitted,

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