

Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Notice of Price Adjustment

Docket No. R2009-2

COMMENTS OF THE GREETING CARD ASSOCIATION

The Greeting Card Association (GCA) files these Comments pursuant to the Commission's Order No. 180 (February 12, 2009). We focus on two aspects of the relationship between the proposed rates for single-piece and workshared First-Class letters.

I. The profile of rate changes in this Docket

Percentage increases for Letters and Cards, as reported in the Postal Service's cap compliance spreadsheets¹, are as follows:

CATEGORY	PERCENT INCREASE	PERCENT ABOVE (BELOW) CAP
Single-piece Letters (excl. QRBM)	4.642	22.2
QRBM	4.645	22.2
Single-piece Cards	3.788	(0.3)
Nonautomation Presort Letters	4.974	30.9
Automation Presort Letters	3..017	(20.6)
Presort Cards	2.887	(24.0)

As the Service notes², this profile of increase-vs.-cap relationships is the reverse of last year's, when it was the Presort grouping which received an above-the-cap increase.

¹ First-Class Mail Cap Compliance, USPS-R2009-2/1 (CAPCALC-FCM-FY2009.xls).

The inherent likelihood of such year-to-year variances in the profile, together with the explicit statutory authorization of disparate increases³, imply that no firm conclusions as to the existence of a policy of inappropriately favoring one group over the other can be drawn from only two years' experience. A more extensive history, however, might well permit or even compel such conclusions. GCA believes that rate changes revealing a consistent tilt in favor of Presort may signal an infringement of the statutory requirement of "a just and reasonable schedule of rates and classifications." GCA intends to examine this and future rate changes from that standpoint and to raise with the Commission, in appropriate forums, any emerging questions of whether the profile of rate changes is "just and reasonable." We urge the Commission to do the same.

II. Calculation of worksharing discounts

The Postal Service has calculated worksharing discounts for First-Class Letters using its "intra-product" method, in which the cost benchmark is the Mixed AADC presort level, rather than Bulk Metered Mail (BMM). GCA believes that the Commission's reasons for prescribing the BMM benchmark remain sound and that the Postal Service should accept them and the calculation method they imply.

That Single-Piece and Presort Letters are separate products in the new taxonomy of First Class does not entail abandonment of the BMM benchmark.⁴

² Notice of Market-Dominant Price Increase, p. 12.

³ 39 U.S.C. § 3622(b)(8).

⁴ Separate-product status is evidently not a *necessary* condition for "intra-product" discount calculation: Flats (single-piece and presorted together) constitute a single product, but the Service calculates worksharing discounts for them in the same way as for Letters, with the least-finely-sorted type (Mixed ADC) as the benchmark. Admittedly, the more important question is whether separate-product status is a *sufficient* condition for the "intra-product" approach; but the Service's treatment of Flats at least weakens any intuitive association between product status and intra-product pricing.

In developing worksharing rates, the comparison is not between Presort and Single-Piece *as a whole* – that is, between one product and another, in the strict sense of “product” – but between Presort and one very specific subtype of Single-Piece mail, identified and used purely for rate calculation purposes. That specific subtype is the mail that, under different circumstances, would presumptively be entered as Presort (for example, a mailing of letters fully qualified for worksharing treatment but containing only 490 pieces⁵ and thus ineligible for a Presort rate). The purpose of the comparison, correspondingly, has not been to ground or even replicate a mail classification distinction but to arrive at a realistic measure of the costs likely to be avoided by presortation (or reimposed if presorted mail reconverts to single-piece).⁶ It is still good for that purpose even though Presort now has the status of a product distinct from Single-Piece.

III. Conclusion

Accordingly, GCA respectfully urges the Commission –

(A) To exercise vigilance, over time, as to the relationship between the increases imposed on Single-Piece First Class and those imposed on Presort, to guard against any violation of the “just and reasonable” standard of § 3622(b)(8); and

(B) To adhere to its previous determinations that Bulk Metered Mail is the correct benchmark for calculation of First-Class worksharing discounts.

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⁵ See DMCS (June 1, 2008), § 221.22.a.

⁶ PRC Op. R2006-1, ¶ 5109.

Respectfully submitted,

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