

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Price Adjustment and
Classification Changes Related to
Move Update Assessments

Docket No. R2010-1

COMMENTS OF THE PUBLIC REPRESENTATIVE

(November 4, 2009)

I. INTRODUCTION

On October 15, 2009, the Postal Service filed with the Postal Regulatory Commission a notice announcing its intention, to establish a Move Update assessment charge for First-Class Mail pursuant to 39 U.S.C. § 3622 and 39 CFR part 3010.¹ The Notice also includes the proposed changes revising the way the Standard Mail assessment charge will be applied. *Id.* The Postal Service provides explanations for how the revisions help achieve the objectives listed in section 3622(b) and factors to be considered in section 3622(c). If approved, it appears that the new Move Update standards will directly affect customers that mail large volumes of mail and may indirectly affect individual mailers. After reviewing the Postal Services proposed changes, the Public Representative believes that overall the Move Update assessment policy is in the interest of the general public. Taken as a whole, the proposed changes are commendable; however there are some issues which deserve further consideration.

¹ United States Postal Service Notice of Market Dominant Price Adjustment and Classification Changes, October 15, 2009 (Notice).

II. BACKGROUND

In this docket the Postal Service proposes to revise Move Update assessment at acceptance. The Postal Service adds that the proposed changes limit the application of both the First Class Mail and Standard Mail Move Update assessments to a smaller percentage of the mailing. Notice at 3. The proposal also includes a 7-cent per-piece assessment fee for First Class Mail. *Id.* The Postal Service has established a tolerance level which will serve as the benchmark for acceptable mailings. At acceptance, a sample of a mailing will be used to calculate the ratio of addresses that the mailer failed to update based on customer-supplied Change of Address orders, to the number of addresses with Change of Address orders on record. *Id.* If this ratio is greater than the tolerance, an assessment will be applied based on the percentage of the sample above the tolerance. *Id.*

III. DISCUSSION

The Public Representative acknowledges that the Postal Service is facing extraordinary financial challenges and lauds the Postal Service's efforts to reduce undeliverable-as-addressed (UAA) mail. In FY 2008, the Postal Service incurred a loss of \$2.8 billion and for FY 2009, as of August, a loss of \$6.2 billion. UAA mail is a burden on the Postal Service and eliminating as much of it as possible will assist the Postal Service in overcoming its financial challenges. The Public Representative believes the Postal Service's goal of eliminating UAA will create a more viable and efficient Postal Service. The Postal Service points out in its Volume 2 Number 3 May/June 2008 edition of MailPro newsletter, that in 2004 it handled 9.7 billion pieces of UAA mail at a cost of \$1.8 billion. Eliminating costs such as these may have positive implications for the public. The Public Representative hopes that any savings from the elimination of UAA mail will translate into savings for members of the general public who are also struggling financially.

Price Cap. The Postal Accountability and Enhancement Act (PAEA) was designed to provide mailers with, among other things, predictability in rates. The Commission Rules regarding price adjustments do not distinguish between increases and decreases; therefore the Public Representative believes that the cap should be applied whenever any price change occurs. If applying the rules would inhibit the Postal

Service from making these changes because of a negative price cap the Public Representative would suggest that the Postal Service wait until more cap authority is available to make the adjustments.

However, if a price change only pertains to price decreases, the Public Representative favors altering the rules to allow for price decreases only. During inflationary times decreases are always permitted, because any negative number is less than any positive number. Therefore, the rules should also allow for decreases during deflationary periods. Currently, the percentage change in CPI-U is negative;² therefore the Postal Service would have to decrease prices to match or not exceed the price cap. The Public Representative believes that the public would support lower prices, so the Commission rules should be reevaluated to permit decreases regardless of changes in CPI-U³. Any partial year decrease should then be added to the Postal Service's unused rate authority, so prices will continue to closely follow the percentage change in CPI-U, as PAEA envisioned.

The Public Representative recognizes that a decrease in bulk mail may result in potentially larger price increases for single-piece mailers later, but believes if the rules are followed consistently, single-piece mailers may later benefit from consistent application of the rules. Therefore, the Public Representative encourages consistent application of the rules. The Commission should consider the precedent that the Postal Service's instant application sets for future price changes.

First, the Postal claims that the move update assessment for First-Class Mail is a decrease (a reduction in revenue). Notice at 4-5. Later, when discussing the price cap, the Postal Service claims it is a new price. Notice at 5-6. The Commission may determine that the assessment is a new price, and therefore an increase. If so, the

² Using the Commission's rules regarding partial year price cap calculations, the Public Representative calculates a partial year price cap of -0.713 percent. When added to previous unused rate adjustment authority First-Class Mail has a maximum increase of -0.569 percent(-0.713 + 0.44) and Standard Mail has a maximum increase of -0.600 percent(-0.713+0.103).

³ In Docket No. R2009-4 the Commission stated: "The Commission's action in this case should not be construed as a finding that the Commission does not have authority under either the PAEA or its rules to apply the compliance cap calculation or adjust the Postal Service's unused rate adjustment authority in cases where there is a rate decrease...The Commission's determination that the price cap should not apply in this case is limited to the narrow, unique factual situation at issue here." See Docket No. R2009-4 Order No. 236 at 8.

Postal Service does not have enough rate authority to add the price. The Public Representative would support such a determination. The Public Representative again believes that any change in prices should be subject to the Commission Rules regarding price changes. For new prices, the Commission rules require the Postal Service to make reasonable adjustments to billing determinates to calculate the change in rates for a newly introduced rate cell. See § 3010.23(d). Whether the Commission decides this is a new rate or a rate decrease, the Commission rules have a mechanism to deal with these price changes.

Threshold. The Postal Service notes that it intends to reduce the tolerance “as necessary”. Notice at 4. The Public Representative encourages the Postal Service to provide a schedule of future reductions so mailers are able to prepare, as well as reduce the need for continuous rate adjustments. The Public Representative has reviewed the estimates provided by the Postal Service regarding Move Update assessed mail, and believes the data are reasonable.⁴

Use of the Move Update Assessment Program. In response to CHIR No. 1 Question 1, part b, the Postal Service explains that the primary goal “is not to cover the costs of UAA pieces.⁵” It would be beneficial for this assessment to cover the costs of UAA mail to ensure the costs are not passed onto the general public. While the Postal Service states that the proposed First-Class Mail price adjustment is not intended to be a source of revenue, it will likely be viewed as one by large mailers. Notice at 6. The Public Representative expects the Postal Service to utilize its improved Move Update assessment program with the utmost prudence. It would be disappointing to watch this program be used simply as a way to increase revenue. More importantly, over use of the assessment program and excessive fees could negatively impact individual mailers. Large mailers may pass the costs they incur from paying assessment fees on to customers in the form of “service fees” and other charges. It is in the interests of the

⁴ The Public Representative appreciates Chairman’s Information Request No.1 question 1, regarding the clarification of data in the Appendices. The responses provided by the Postal Service clarified several issues for the Public Representative.

⁵ Response of the United States Postal Service to Chairman’s Information Request No.1, November 3, 2009 (CHIR No.1).

general public for the Postal Service to carry out the Move Update assessment program in a just and fair manner.

If the Move Update assessment proposals are approved the Postal Service should ensure that its Address Corrections System (ACS) generates accurate data. The Public Representative has learned that a mismatch between the NCOALink system and ACS can occur which may cause mailers to be assessed Move Update fees erroneously. In order for this program to be successful, mailers must be assured that the data used to measure their performance is accurate or mailers may leave the market. If mailers leave the mail market and opt to increase online communications and transactions with customers, the interest of the general public may be negatively impacted. For example, a financial institution which believes it has been assessed unjust fees based on faulty data may force its customers to pay for paper statements received by mail or even worse, not offer paper statements at all. It is not in the interests of the general public for Postal Service to depend on erroneous data when determining assessments for mailers.

IV. CONCLUSION

Overall, the proposed changes for the Move Update assessment program are in the interests of the general public. The changes will likely assist the Postal Service in achieving a cost efficient mailstream. However, the Commission should ensure that the rules concerning price adjustments are applied consistently so that prices will continue to follow the percentage change in CPI-U. In addition, the Postal Service and the Commission should consider how abuse of this program and the use of inaccurate data could indirectly impact the interests of the general public. The Public Representative respectfully submits the preceding Comments for the Commission's consideration.

Respectfully submitted,

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