

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REPORT, 2009

Docket No. ACR2009

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 1
(January 29, 2010)

Commission Information Request No. 1 was issued on January 20, 2010. A response was requested by January 29, 2010. Attached is the Postal Service's response. The request is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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January 29, 2010

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Q. [P]lease provide the Postal Service's current plans to achieve financial stability in FY 2010 and beyond under the Postal Accountability and Enhancement Act (PAEA) to enable it to meet its principal responsibilities, including to bind the Nation together and to provide prompt, reliable, and efficient services to patrons in all areas. See 39 U.S.C. § 101(a). The Postal Service should also elaborate on how it was in compliance with 39 U.S.C. § 3622(b)(5) in FY 2009.

RESPONSE:

The first part of this question addresses plans for financial stability in FY 2010 and beyond. Beyond what has already been set forth in the Fiscal Year 2010 Integrated Financial Plan (available on the Commission's daily listing for November 25, 2009), the Postal Service's Form 10-K for Fiscal Year 2009 (available on the Commission's daily listing for November 16, 2009), as well as in the Annual Report and the Comprehensive Statement, the Postal Service has nothing specific to add at this time. As noted by the Information Request, the Comprehensive Statement included the following assessment:

The financial viability of the Postal Service is at risk and, as the net income projection for 2010 shows, the outlook for the coming year is no less challenging. Long-term relief from the pre-funding requirement for retiree health benefits is essential, but other reforms are necessary as well. The Postal Service requires additional flexibility in labor and operations to improve productivity and reduce costs that better match declining volumes, and also must diversify revenue sources.

2009 Comprehensive Statement at 62. Moving forward, the Postal Service is still considering the available options.

The question also inquires about compliance with section 3622(b)(5) in FY 2009. This portion of the question more directly relates to the task at hand, preparation of the Annual Compliance Determination for FY 2009. The Postal Service understands, however, that the statutory objective presented in section 3622(b)(5) is directed to the design of the ratemaking system established by the Commission, for the regulation of

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rates and classification for market dominant products, with respect to adequate revenues and financial stability. As such, it is difficult to evaluate compliance by the Postal Service in any particular year.

Moreover, even if this part of the statute were directed at the Postal Service, it is difficult to identify what more the Postal Service could have done with respect to ensuring financial stability in FY 2009. In terms of its pricing authority under the CPI-U price cap, the Postal Service essentially used all of that authority in its market dominant price increases in May of 2009. In terms of additional price increases under any other procedural mechanisms, the explanation given by the Postmaster General on October 15, 2009, when announcing the determination that the timing was not right for any increases in market dominant rates in 2010, would have applied equally to consideration of any further, *supra*-CPI, market dominant price increases in FY 2009:

This is the right decision at the right time for the right reason. Promoting the value of mail and encouraging its continued use is essential for jobs, the economy, and the future of both the Postal Service and the mailing industry.

While increasing prices might have generated revenue for the Postal Service in the short term, the long term effect could drive additional mail out of the system. We want mailers to continue to invest in mail to grow their business, communicate with valued customers, and maintain a strong presence in the marketplace.

The Postal Service's pricing strategies in FY 2009 were as consistent with the objectives of 39 U.S.C. § 3622(b)(5) as circumstances allowed them to be.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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