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POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2009 Docket No. ACR2009

COMMENTS OF THE DIRECT MARKETING ASSOCIATION ON ANNUAL COMPLIANCE REPORT 2009

February 5, 2010

In its January 20 Notice announcing the Forum and Opportunity to Comment, the Commission asserted, "The Postal Service's continuing financial stability is the pivotal issue in this proceeding." The Service's financial stability in FY 2010 and beyond is of critical importance to the Nation and to Direct Marketing Association's (DMA) members and must be addressed in order to ensure the continued viability of our universal mail system. However, DMA believes that this question is not the pivotal issue in this proceeding. The pivotal issue is the Commission's review of the Annual Compliance Report for FY 2009 (ACR). That said, the Service's financial stability should be a concern for the Commission. In fact, under the leadership of Chairman Goldway, the Commission is examining the Service's financial stability in the context of "national conversation" on the future of mail that it launched on September 25, 2009, by a notice to the general public on the home page of its website.

The danger inherent in ascribing the status of financial stability being the pivotal issue in the ACR review has become readily apparent from the comments filed by the Public Representative in this Docket. The Representative asserts that the Service's rates and fees are unlawful because revenue failed to cover total costs. Then, using "elasticity estimates and other data filed by the Postal Service," the Representative developed three corrective scenarios to eliminate the Service's projected deficit by the end of FY 2011.
Two of which are premised on acts of Congress unlikely to occur prior to the Commission's legislated 90-day review period, if the Congressional action occurs at all. DMA and others will be working diligently to obtain the requisite Congressional action. The third, which the Representative claims is within the Commission's existing authority, provides for two across-the-board, mid-year rate increases (in FY 2010 and FY 2011) of 10.1 percent each.[1]

[1] Although DMA questions whether the 2006 Act requires that each and every Market Dominant product must cover its cost, that some products may still not do so even after the two compound 10.1 percent increase seems to have escaped the Representative in a quest for what would clearly be only short-term "financial stability."

The third scenario would be an unconscionable decision. As we painfully learned in Docket No. R2006-1, sole reliance on historically-based Postal Service elasticity estimates may not reflect the realities of the 21st century. Standard rate flat-shaped mail volumes plummeted after the unexpected, far-exceeding inflation rate increases resulting from that Docket. The impact of the Representative's double 10.1 percent increase in these low inflationary times and in the economic climate for all mail volume will destroy any possibility of volume recovery for the Postal Service. The short-term potential result in the Representative's compliance scheme to achieve "financial stability" by FY 2011[2] would result in "financial disaster" for the Postal Service for the long-term. DMA members and American citizens need a financially stable Postal Service in the long-term. That should be the Commission's goal as well. The Representative's scheme should be summarily rejected.

We urge great caution by the Commission if "financial stability" is indeed the pivotal focus of the Annual Compliance review although DMA disagrees. The Commission must be mindful that more revenue from rates in the short-run can and will likely result in less when examining the future long-term viability of the Postal Service.

Respectfully submitted,

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[2] The Representative's scheme focuses on only the revenue side of the equation and ignores the expense side.