

BEFORE THE
POSTAL REGULATORY COMMISSION
Washington, DC 20268

Notice of Price Adjustment)

Docket No. R2010-3

COMMENTS OF THE DIRECT MARKETING ASSOCIATION AND THE DMA
NONPROFIT FEDERATION IN SUPPORT OF THE UNITED STATES POSTAL
SERVICE 2010 "SUMMER SALE"

March 18, 2010

The Direct Marketing Association (DMA) and the DMA Nonprofit Federation (DMANF), respectfully submit these comments in response to PRC Order No. 416, March 2, 2010, Concerning Standard Mail Volume Incentive Pricing Program (Summer Sale), Docket No.2010-3.

The DMA and DMANF support the 2010 Summer Sale for Standard Mail letters and flats. The 2010 Summer Sale is modeled on the successful 2009 pricing incentive program the positive results of which were reported by the Postal Service in its Data Collection Report filed on February 24, 2010. The objectives of that program were to improve the Service's finances by (1) generating additional volume and net contribution to institutional costs, (2) tapping excess operational capacity, and (3) providing high volume mailers with additional means by which to rebuild and expand their customer base in the face of daunting economic conditions.

Similarly, the 2010 incentive pricing program for Standard Mail letters and flat has as its primary objective strengthening the Service's financial foundation by growing mail volume in an area, which according to its recent report *Ensuring a Viable Postal Service for America*, is key to its long-term financial stability. We applaud the Service for again using its pricing flexibility to provide incentives to grow mail volume. This is a good second step, and we encourage, even implore, the Service to use their pricing flexibility more aggressively to preserve and grow mail volume. The Commission should endorse this second Summer Sale.

However, we believe that both the Service and the Commission should consider improvements in future incentive programs.

First, the Service should use its flexibility to grow volume in all shapes, sizes, weights, zones and products. Even though most of our members predominantly rely on Standard and Nonprofit Standard Mail in their business operations, they wish that the 2010 Summer Sale was available for all mail. Our members use First-Class Mail to send invoices; and, Standard Mail parcels, Priority Mail, Express Mail, and Parcel Post to

deliver product. The Postal Service needs those mail volumes to grow, or, at least, not shrink, as well. Moreover, the Postal Service notice announcing the 2010 Summer Sale addresses questions raised in the past concerning the inclusion of products which appear to not make a positive contribution. Issues associated with costing methodology for these products aside, if Standard Regular Flats were not included in the incentive program, for example, the Service and Commission would ignore the dynamics of the catalog industry. It would have the effect of punishing those who currently choose to mail residual pieces after maximizing Carrier Route volumes and stymie the potential for growth that could result in a shift of residual pieces to Carrier Route. The Service's argument that the incentive program be viewed as a whole reflects an appreciation of this potential.

Second, the incentive threshold of five percent above baseline (2009) volume actually may prove to be a disincentive to grow volume for some of our members. Mailers who grew their volume in 2009 as a result of the 2009 Summer Sale must now match that volume, grow 5% and then have an incentive to grow more. The very mailers that took a chance in 2009 and reached out to those consumers who were less likely to respond are now asked to reach out to those consumers and many more who are even less likely to respond. This is counter productive. The Postal Service needs more volume. At a minimum, the threshold should be set at 100% so that any new volume is eligible for the incentive. However, with mail volume falling, the Commission and Service should consider incentives to keep mail volume in the system. We suggest a threshold of 95% or 90% so that the incentive program is created to not only grow volume, but also to maintain volume.

We understand that the 105% threshold was adopted to prevent giving discounts to mail growth that would have occurred anyhow. In times of revenue deficiencies that is a laudable goal. However, we contend that the premise of that goal is flawed. The Boston Consulting Group has stated that mail volume will drop from 213 billion pieces in 2006 to 150 billion (or even 115 billion) in 2020. There is no "anyhow" mail. It is gone, and policies established based upon "anyhow" mail will harm the Postal Service and its paying customers. It is time to face the reality of a significantly smaller Postal Service and significantly diminished demand for mail services. We ask that the "anyhow" mail policy driver be buried.

Third, we urge the Postal Service and Commission to expand incentive programs to small mailers. Our members live in a world of computer manifests. Printers, letter shops, and mail consolidators enter our members' mail into the Postal Service mail stream. They invoice our members and provide trucking companies manifests of product to be delivered to the Postal Service. They have the record of the volume of mail that our members have entered. The Service should use those invoices and manifests to determine mail volume as do our members in their businesses. This would allow the Service to include many more mailers in the Sale—not just the largest 3,000 plus.

Finally, the next step for volume maintenance and growth incentives is to provide mailers with a longer term horizon. Incentives should be put in place for a two or three year period to allow our members to plan their marketing programs to grow volume. These

Summer and Autumn Sales are and were an excellent first step, but to have a greater impact on mail volume longer term programs are needed.

In conclusion, we hope that these comments are helpful not only analyzing the 2010 Summer Sale, but also planning future incentives to keep mail in the system. DMA and DMANF support the 2010 Summer Sale program as proposed by the Postal Service and encourage the Commission to continue to endorse this and other similar incentive-based initiatives. As representatives of the Commercial and Nonprofit mailing community, we look forward to working with you on this and future programs.

Respectfully submitted,

Jerry Cerasale
Senior Vice President, Government Affairs
Direct Marketing Association
1615 L St., NW, Suite 1100
Washington, DC 20036
202-861-2423