

**Before the
POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001**

Postal Regulatory Commission
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**Rate Adjustment Due to Extraordinary
Or Exceptional Circumstances**

Docket No. R2010-4

**Comments
of
DHL Global Mail
August 17, 2010**

We would like to thank the Postal Regulatory Commission (PRC) for the opportunity to Comment on the USPS Exigent Rate Filing.

Understanding the financial condition USPS is experiencing we are not opposed to price adjustments that are reasonably modest and we support Plans to balance underwater products to cover costs over time.

Underlying Principles of the PAEA should serve as Guidance

One of the underlying principles of the Postal Accountability and Enhancement Act was to help mailers plan for postage price adjustments that were predictable and modest in nature based on the Consumer Price Index. The price adjustments for Standard Parcels averages 23.3% is well beyond modest and the averages swing with wild unpredictability.

Significant Impacts on Standard Parcels

The proposed increases will have a significant impact on DHL Global Mail and our customers. If we maintain our current parcel mix and nothing changes with respect to the proposed rates, we will see an increase of \$24 million in Standard Parcel prices in 2011.

Standard Parcel Shippers have already been hit hard. This follows increases 16% and 9.7% in the past two price adjustments.

In some cases the spread of the increase is beyond equitable. Percentage increases are more in the range of 33% to 37% for certain sort and destination entry levels and some of them are the most efficient pieces for USPS to process.

Costing Models Reliability

We think the parties agree that USPS does not have solid cost models for Standard Parcels resulting in uncertainty that cost coverages relied upon are accurate. However they are being acted upon as if they are.

The PRC's Annual Compliance Determination (ACD) for Fiscal Year 2009, the PRC express concerns regarding these models;

'Parcels unit mail processing and unit delivery costs are anomalous and the Postal Service should review and improve its costing analysis for these products.

"More reliable cost data for calculating the cost avoidance associated with presort discounts for parcels should be developed".

If reliable cost data is insufficient for calculating cost avoidance for presort discounts how does USPS know how much to adjust a subclass (Machinable, Irregular or NFM) at a particular sort or destination entry level if it does not have the tools developed to make accurate assessments? This uncertainty heightens the need for a slower softer approach for accurate and equitable cost determinations to be made.

'Rate Shock' Concerns Illustrate Inequities on how Prices are Applied

Fear of 'Rate Shock' caused USPS to propose increases for Standard Flats less than half of their underwater cost coverage that Standard Mail Parcel Shippers would accept as modest. However, citing Marketplace Pricing while referencing Non-Workshare Origin Entered competitor prices, USPS totally smacked Standard Parcels to nearly the full extent of their cost coverage!

The fear of business loss for one product verses no or little fear of another is clearly a bias illustrating inequity in its rawest form.

Examples of Price Increases for Standard Parcels

Wild Price Swings (from - 8% to + 79%) in Increase Percentages further perpetuate inequities beyond reasonability

A Standard Irregular Parcel that shifts into the Marketing Parcels would see a Postage Decrease! Meanwhile a NFM shifting to an Irregular Parcel could see an increase of 79% in the lower weight cells. How is it equitable that pieces have similar size and shapes could see such a dramatic Price Swings when the sole difference in handling and delivery is the words "Or current resident"?

Irregular Parcel to Proposed Irregular Marketing Parcel SCF Sort - DSCF Entry			
OZ	Price	Increase	%
1	0.67	-0.06	-8%
2	0.67	-0.06	-8%
3	0.67	-0.06	-8%
4	0.70	-0.05	-7%
5	0.74	-0.05	-6%
6	0.78	-0.04	-5%

Irregular NFM to Proposed Irregular Std Parcel SCF Sort - DSCF Entry			
	Price	Increase	%
	0.98	0.43	79%
	0.98	0.43	79%
	0.98	0.43	79%
	1.01	0.44	77%
	1.05	0.45	74%
	1.09	0.45	72%

Some Standard Parcels are Priced Higher than First Class Mail Parcels

USPS proposes a 35% increase on a subclass of Standard Parcels that exceeds the price of similarly weighted First Class Mail Parcels. The First Class Parcel would get delivered in 1 to 3 days and could utilize Air Transportation and cost

considerably less cost than a Standard Irregular Mixed NDC Parcel. The Standard Irregular Mixed NDC would take 3 to 14 days to deliver and would strictly use lower cost ground transportation.

If First Class Parcels cover costs, it would appear this Mxd NDC pieces greatly covers cost and would receive an inequitable, unreasonable and unnecessary increase. This also gives reason to believe USPS Cost Models tools for parcels need a bit more development.

		Standard Irregular Parcels Proposed Mxd NDC			Proposed First Class Single Piece Parcels	
OZ	Price	Increase	%		Price	Difference
1	2.30	0.60	35%		1.71	-0.59
2	2.30	0.60	35%		1.71	-0.59
3	2.30	0.60	35%		1.71	-0.59
4	2.35	0.61	35%		1.88	-0.47
5	2.43	0.62	35%		2.05	-0.38
6	2.51	0.64	34%		2.22	-0.29
7	2.58	0.65	34%		2.39	-0.19
8	2.66	0.67	34%		2.56	-0.10

5 Digit DNDC Standard Parcels - Machinable Parcels taking 2X the Increase and Cost More than Irregulars

In most scenarios, a Machinable Parcel has better handling costs. In the Exigent Rate Filing USPS proposes to increase Machinable Parcel twice the percentage increase than its Irregular/Non-machinable for 5 Digit DNDC Parcels. Not only was the percentage increase twice as high, now its proposed for the Machinable Parcels be priced a bit higher than the Irregular. Once again the increases seem inequitable and should be reconsidered for more moderate increases as more accurate cost models are developed.

		Irregular Parcel Proposed 5D DNDC			Machinable Proposed 5D DNDC		
OZ	Price	Increase	%		Price	Increase	%
1	0.79	0.06	9%		1.09	0.31	40%
2	0.79	0.06	9%		1.15	0.33	39%
3	0.79	0.06	9%		1.22	0.34	39%
4	0.83	0.08	10%		1.28	0.36	39%
5	0.90	0.09	11%		1.34	0.37	38%
6	0.96	0.11	12%		1.41	0.39	38%
7	1.02	0.12	13%		1.47	0.40	38%
8	1.09	0.14	14%		1.54	0.42	37%
9	1.15	0.15	15%				
10	1.21	0.17	16%				
11	1.28	0.18	17%				
12	1.34	0.20	17%				
13	1.40	0.21	18%				
14	1.47	0.23	18%				

15	1.53	0.24	19%	1.60	0.43	37%
16	1.60	0.26	19%	1.66	0.45	37%

Business Volume Losses for USPS and DHL GM in Standard Parcels base

We anticipate business losses if the proposed increases are implemented.

USPS makes a truly smart and valiant effort to protect a market segment that it's seen grow recently due to the precision of database/demographics/requestor Marketing Results efforts for Marketing Parcels.

They/we will sustain some of the base but there will be collateral damage. Even the proposed "Marketing Parcels" prices will drive those marketers from the market. We anticipate increases from NFMs to Marketing Parcels will cause those customers to use other mediums and methods of distribution to distribute their products (i.e. newspapers and other ride alongs).

We feel it is absolutely necessary for the PRC and USPS to better balance its price increases more moderately to help sustain the business. It will help mitigate the need to seek alternative ways for these packages to be delivered.

PRC's Suggestion to "Phasing In" Pricing is On Target

In the Annual Compliance Determination for FY 2009 the PRC's suggestion a "phasing in" approach to increase Standard Mail Parcels Prices is right on target and serves to support key elements of the Exigent Statue itself...

39 USC § 3622 (d)(1)(E)

..... that such adjustment is reasonable and equitable and necessary to enable the Postal Service, under best practices of honest, efficient and economical managements, to maintain and continue the development of postal service of the kind and quality adapted to the needs of the United States.

The Commissions wrote: "Although the Commission finds the rates and revenues for NFMs/Parcels neither recover attributable cost nor make a reasonable contribution to institutional cost, the Commission supports the Postal Service's "phasing in" approach to increasing the rates for Standard Mail NFMs/Parcels. *The Commission finds that the appropriate action is for the Postal Service to devise a plan to improve the cost coverage of the Standard Mail NFMs/Parcels product. This plan should include any operational or mail preparation changes that the Postal Service deems necessary, as well as a timeline for achieving a positive contribution for the NFMs/Parcels product. The plan shall be included in the next ACR or the next general market dominant price adjustment, if it precedes the ACR*".

Such a "Plan" allows for these products to cover costs at a rate that won't be detrimental to volume as a whole. USPS seemed to do that with Flats and Periodicals.

It also applies the spirit of the foundation of the PAEA to help Mailers 'Plan' on predictable and more modest increases over time while supporting key fundamentals Exigent Statute for Adjustments that are Reasonable and Equitable and Necessary.... etc.

In Conclusion

Given uncertainties in parcels costing models where cost are *anomalous* and increases subjecting Mailers to wild swings in their respective increases causing heavy unnecessary and undue costs far above the average increases for the Standard Parcel Class simply by nature of the Mailers subclass (Machinable, Irregular or NFM, Marketing or Fulfilment), sort and destination entry level necessitates the need for better balanced modest pricing. Over time, with better tools more accurate assessments can be made at all levels and subclasses.

In fairness, USPS should apply similar consideration to Standard Parcels as it did to Standard Flats. Using Rate Shock as the determinate to allow one subclass to satisfy less than half its costs coverage disparages Standard Parcels into the acceptance of an inequitable parameter not supported by the PAEA nor the Exigent Statute.

Respectively Submitted

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