

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

NOTICE OF CLASSIFICATION AND PRICE ADJUSTMENTS  
FOR FIRST-CLASS MAIL AND STANDARD MAIL  
INITIATIVES

Docket No. R2011-1

**COMMENTS OF THE  
NATIONAL POSTAL POLICY COUNCIL  
(November 23, 2010)**

The National Postal Policy Council<sup>1</sup> recommends that the Commission approve the “Reply Rides Free” initiative. While supporting approval of the initiative, NPPC respectfully submits that, if it is to succeed, it must have more flexibility, fewer restrictions, and greater certainty of repayment to mailers than in the current proposal.

NPPC encourages the Postal Service to explore innovative ways to use First-Class Mail, using the flexibility provided under the Postal Accountability and Enhancements Act to identify new opportunities and design product offerings that address those opportunities. Mailers have been searching for ways to derive more value from First-Class Mail, which in turn would generate more First-Class volume. For the Postal Service to flourish, it must look for ways to enhance the

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<sup>1</sup> The National Postal Policy Council is an association of large business users of letter mail, primarily Bulk First-Class Mail using the Automation rate category, with member companies from the telecommunications, banking and financial services, utilities, insurance, and mail services industries. Composed of approximately 30 of the largest customers of the Postal Service with aggregated mailings of more than 30 billion pieces, NPPC supports a robust postal system as a key to its members’ business success and to the health of the economy generally.

appeal of its services by providing mailers with new and useful features that create new value. NPPC is working with the Postal Service through the Postmaster General's Mailers Technical Advisory Committee and other avenues to encourage and explore innovative uses and offerings of First-Class Mail.

In this vein, NPPC supports the general concept of the Reply Rides Free ("RRF") program, and supported the essentially identical proposal when filed as part of the exigent rate case. The Postal Service should be commended for proposing this new option for Bulk Presort and Automation mailers, which enables them to create new uses for First-Class Mail. NPPC specifically welcomes the Postal Service's modification of the program (from the exigency case filing) to quarterly payment reconciliation instead of annual. As such, the Commission should approve the proposal.

However, despite its worthwhile innovativeness and commendable goals, the proposal as it currently stands will likely not fully achieve the Postal Service's objectives because it includes some unnecessary restrictions and requirements. As this initiative proceeds, NPPC respectfully urges the Postal Service to look for ways to improve the program for the mutual benefit of itself and mailers.

One example of an unnecessary restriction is that the program would limit eligibility to letters weighing up to only 1.2 ounces. A slight 0.2 ounces does not provide much room for value-added contents. This limits the usefulness of the program to lighter mailings, and actually creates a perverse incentive for mailers of pieces currently approaching that weight to *lighten* their envelopes.

A more useful weight limit would be at least two ounces. Opening eligibility to a full second ounce would allow materially more advertising matter into First-Class Mail. This step potentially would offset to some extent the electronic diversion of customer account mail, or perhaps even precipitate some new volume. Given that the Postal Service handles and processes two-ounce First-Class letters no differently than one-ounce letters, and that both are highly profitable to the Postal Service, a higher weight ceiling is readily justifiable.

A second needless restriction is that the Postal Service is conditioning participation on a mailer's implementation and use of the Full-Service intelligent mail barcode. Although NPPC understands that the Postal Service wants to encourage mailers to use Full-Service IMb, conditioning eligibility for RRF on Full-Service IMb will limit the number of mailers that will be able to participate. NPPC recognizes that under this proposal, the Postal Service would not require Full-Service IMb until May 1, 2011 – which is four months later than was contemplated by the similar proposal in the exigency case. While appreciative of that modest extension, NPPC believes that the Full-Service IMb requirement still makes participation in the program problematic and should be removed.

Third, the Postal Service intends to condition participation on an increase in outgoing volume from the mailer in an amount 2.5 percent greater than the trend in a mailer's First-Class Presort and Automation letter volumes in FY2009 and FY2010. At a time when many mailers' volumes are trending downward, and especially in light of the other requirements that a mailer must meet in order to qualify for the RRF incentive, the proposal would be more likely to attract

participation if the Postal Service were to require simply that a mailer's volume exceed its trend over the past two years.

A fourth factor that will tend to reduce participation in RRF is the exclusion of presort bureaus. In addition, it appears that mailers that submit their pieces to presort bureaus, at which they are intermixed with other letters of differing weights, will essentially be unable to participate as well. This problem will occur because Section 7.2.2 of the Postal Service's regulations will require specific identification of a mailer's pieces entered by a presort bureau. Mailers cannot satisfy this requirement unless presort bureaus modify their software to generate this information, and NPPC understands that to date the bureaus have not agreed to do so. To avoid this problem, mailers have proposed to substitute a certification process, but the Postal Service has not accepted that reasonable alternative. The result is that mailers that use presort bureaus are effectively unable to participate in the program.

Finally, NPPC urges the Postal Service to consider further innovations in the RRF program. For example, the Postal Service should recognize that the reply envelopes being inserted in an RRF mailing will, if mailed by the recipient, be profitable to the Postal Service, and consider innovative ways to share that benefit with the mailer. As the proposal stands, the outgoing Bulk mailer would receive no credit for this multiplier effect. Given the uncertainty that mailers will meet the unreasonable volume threshold (and the cost of full IMb), a creative way to share some of the benefit of the reply mail with the mailer would offer a more direct, and effective, inducement to participate.

The Reply Rides Free initiative is an example of a creative initiative within First-Class Mail, and should be approved as a first step. NPPC applauds the Postal Service for its attempt to add value to First-Class Mail, and will work with it to identify improvements that would make the program more likely to succeed.

Respectfully submitted,

NATIONAL POSTAL POLICY COUNCIL

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