

**BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON DC 20268-0001**

NOTICE OF PRICE ADJUSTMENT

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Docket No. R2011-2

**COMMENTS OF  
MAGAZINE PUBLISHERS OF AMERICA, INC.  
AND ALLIANCE OF NONPROFIT MAILERS  
(February 2, 2011)**

Pursuant to Order No. 653, Magazine Publishers of America, Inc. (“MPA”) and Alliance of Nonprofit Mailers (“ANM”) respectfully submit these comments on the price adjustments proposed by the Postal Service in this docket. These comments address two aspects of the proposed rate adjustments: (1) their overall size; and (2) the continued low passthrough underlying the Carrier Route Basic discount for Periodicals Mail.

First, while the overall increase appears compliant with the 1.741 percent price cap calculated using the cap calculation method sanctioned by the Commission in Order No. 606,<sup>1</sup> MPA *et al.* respectfully contend that, for the reasons explained in the comments of the Affordable Mail Alliance (“AMA”) in Docket No. R2011-1, the Postal Service should not be allowed to bank and effectively ignore deflation that occurs after the previous rate adjustment, but prior to the last twelve months. See Docket No. R2011-1 Comments of Affordable Mail Alliance (November 24, 2010).

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<sup>1</sup> Order No. 606, Docket No. R2011-1, *Classification and Price Adjustments For First-Class Mail And Standard Mail Incentives* (issued December 10, 2010).

In brief, the intent of the price cap is to limit price increases to inflation. Allowing the Postal Service to increase rates by 1.741 percent when the CPI-U has only increased by 1.154 percent since the last market-dominant rate adjustment clearly contradicts this intent. Since the filing of AMA Comments in Docket No. R2011-1, two further illustrations of the inappropriateness of the Commission method have come to light:

- In the instant proceeding, the Postal Service calculated that the unused rate authority resulting from the proposed rate increase will be *negative*, by approximately 0.5 percent, clear evidence that a 1.741 percent increase violates the cap. USPS Notice of Market-Dominant Price Adjustment at 6. Just as positive unused rate authority is generated by raising rates less than inflation, logic dictates that negative unused rate authority can only be generated by increasing rates by more than inflation, *i.e.*, more than is statutorily allowed.
- In Docket No. R2011-1, the Commission found that raising rates less than 0.1 percent (through Move Update changes) would reduce the Postal Service's price cap authority by 0.6 to 0.7 percent, a nonsensical result. Order No. 606, *supra*, at 11-13.

If the Commission believes that its approach to calculating the price cap is compelled by the current wording of the statute (as Order No. 606 appears to indicate, *id.* at 15), the Commission should recommend that Congress resolve this problem as proposed in comments filed by MPA and ANM yesterday in the Commission's proceeding for review of PAEA under PAEA § 701.

Second, the Postal Service's Notice of Market Dominant Price Adjustment (at 19) states that its Periodicals price package "refines price relationships to encourage efficiency." Docket No. R2011-2, USPS Notice of Market-Dominant Price Adjustment (Jan. 13, 2011) at 19. However, the Postal Service's proposal to increase the Carrier Route Basic piece rate by a higher percentage than any other piece rate will not encourage efficiency, but will have the opposite effect. Discouraging greater presorting and, by extension, comailing is ill advised.

The proposed Carrier Route Basic discount passes through only 70 percent of the underlying costs avoided, and thus does not appropriately encourage the preparation of this highly efficient category of mail. USPS Notice of Market Dominant Price Adjustment, Attachment B; Docket No. ACR2010, USPS-FY10-42, ChIR.3.Q.3&4.FY10.3.xls. This is particularly problematic because the Carrier Route discount is the primary incentive for mailers to combine multiple small mailings that are frequently entered in sacks at origin facilities into highly efficient, palletized, and drop-shipped mailings through co-mailing.

The real reason for the larger increase for Carrier Route Basic flats appears to be the Postal Service's misguided view that Carrier Route presort will have much less value in a flats processing environment that includes flats sequencing. This view is clearly flawed.

First, even after the completion of the Phase I FSS deployment (the only phase currently scheduled), only a minority of flats (approximately thirty percent) will be addressed to locations in FSS zones. The FSS deployment will have absolutely no

effect on the value of Carrier Route presort for the majority of flats that are addressed to other zones.

Second, as the Postal Service's operations witness recognized five years ago, while the value of Carrier Route presort may decline in FSS zones, large (or merged) mailings that are currently prepared in Carrier Route bundles will continue to have value by "provid[ing] an increased opportunity to prepare the pieces in a manner that will facilitate a more efficient induction into the FSS." Docket No. R2006-1, Response to MPA/USPS-T42-5. While preparation methods may change in FSS zones, large mailings will continue to be highly efficient.

The Commission should encourage the Postal Service to pass through a higher percentage of the cost avoided by Carrier Route mail, thereby providing appropriate incentives to prepare efficient Periodicals mailings.

## CONCLUSION

MPA and ANM respectfully request that the Commission take the actions requested in these comments.

Respectfully submitted,

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