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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

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Notice of Price Adjustment	)	Docket No. R2011-2
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VALPAK DIRECT MARKETING SYSTEMS, INC. AND VALPAK DEALERS' ASSOCIATION, INC. COMMENTS ON THE UNITED STATES POSTAL SERVICE NOTICE OF PRICE ADJUSTMENT
(February 2, 2011)

On January 13, 2011, the U.S. Postal Service filed a Notice of Market-Dominant Price Adjustment[1] ("Postal Service Notice") with the Postal Regulatory Commission ("Commission") pursuant to the Postal Accountability and Enhancement Act ("PAEA"), Public Law 109-435 (*see* 39 U.S.C. § 3622), and the Commission's rules promulgated thereunder (*see* 39 C.F.R. §§ 3010.1, *et seq.*). The Postal Service states that the price adjustments, all within the **1.741 percent** price cap, will take effect on **April 17, 2011**.

The Commission issued Order No. 653 on January 19, 2011, opening this docket and setting February 2, 2011 as the deadline for public comment. These comments are filed jointly on behalf of Valpak Direct Marketing Systems, Inc., and Valpak Dealers' Association, Inc. (hereinafter "Valpak"). As permitted by Rule 3010.13(b), these comments focus on compliance of noticed prices with the requirements and policies of Title 39.

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[1] The filing was accompanied by five Library References detailing compliance with the pricing cap for First-Class Mail, Periodicals, Standard Mail, Package Services, and Special Services. On January 26, 2011, the Postal Service filed a Notice of Errata, identifying a small correction not relevant to these comments.

I. BACKGROUND

The Postal Service's price adjustment being considered in this docket is the first Type 1-A price adjustment in nearly two years, *i.e.*, since Docket No. R2009-2, when rates went into effect on May 11, 2009.

Since that time, in Docket No. RM2009-3 ("Consideration of Workshare Discount Rate Design"), the Commission described how it reviews *ex ante* Type 1-A rate adjustments filed under the "modern system for regulating" market dominant rates:

> Under the system that the Commission has established, the Postal Service enjoys a general prerogative to set market dominant rates, subject to only a few, clear "**out-of-bounds" lines** drawn by the PAEA. These "out-of- bounds" lines consist of pricing restrictions in three areas — the **cap on class prices** (*see* section 3622(d)), the **limit on workshare discounts** (*see* section 3622(e)), and revenue ceilings for the various categories of **preferred mail** (*see* section 3626). Congress framed each of these requirements as objective, **quantitative** pricing standards, made their application mandatory, and placed each in a self-contained section of the PAEA.
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> **In addition** to these few, clear "out-of-bounds" lines, the system that the Commission has established requires that market dominant rates be developed with consideration for the **qualitative** rate and classification **objectives and factors identified in sections 3622(b) and (c).** Consistent with the PAEA's directive, the system that the Commission has developed requires that each objective and factor be considered by the Postal Service in conjunction with the others. Under that system, rates should also be consistent with the more general qualitative standards found in **39 U.S.C. 101(d), 403(c) and 404a(1).**
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> When the Postal Service proposes changes to market dominant rates, the changes are subject to scrutiny by the Commission for compatibility with these qualitative standards. This scrutiny, however, is typically light, since it must be concluded in the very short time frame required by statute. Consequently, reviewing market dominant rates for consistency

> with the PAEA's many **qualitative** pricing standards **is largely deferred** by the Commission until after-rates are implemented, in its **Annual Compliance Determination**. *See* 39 U.S.C. 3653.
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> Because each of the PAEA's qualitative standards is conditioned upon all of the others, and because they are largely confined to **post-implementation review**, the qualitative standards usually remain in the background when the Postal Service selects and implements market dominant rates. As a result, of the many hundreds of rates that the Commission has reviewed since the inception of the PAEA, it has required the Postal Service to **adjust only two** before they went into effect. To afford the Postal Service this degree of latitude in pricing, there is no need to posit the existence of an overarching standard of "pricing flexibility" that trumps not just the other qualitative standards of the new law, but its quantitative standards as well. [Docket No. RM2009-3, Order No. 536 (Sept. 14, 2010), pp. 16-18 (footnotes omitted, emphasis added).]

In the last paragraph of the above quotation, the two rates mentioned by the Commission as being adjusted "before they went into effect" concerned workshare discounts.[2]

Contrasted with that mandatory review of what frequently are technical issues regarding the price cap and are relatively small dollar issues relating to worksharing, many have argued that PAEA allows the Commission to disregard substantial losses on underwater products during the Commission's *ex ante* review of price adjustments. From Order No. 536, it appears to be the Commission's view that the seeming quantitative statutory "requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of

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[2] Of course, workshare discounts pertain to the price difference between a category of mail that buys fewer services from the Postal Service (*i.e.*, is workshared) and a similar category of mail that is less workshared and buys more services (*e.g.*, transportation, sortation) from the Postal Service. When the price difference for the extra services exceeds the cost difference, action may be triggered.

all other costs of the Postal Service reasonably assignable to such class or type" — contained in 39 U.S.C. section 3622(b)(2) — is qualitative, not quantitative. Such a categorization of this requirement would be less troublesome if this problem were aggressively addressed during the Commission's annual compliance reviews, but substantial continuing losses have been tolerated during each of the Commission's three *ex post* reviews since PAEA's enactment, as the Commission has not yet required any underwater rates to be adjusted. *See* FY 2009 ACD, p. 16.

Valpak would suggest that the timing of the now-pending annual compliance review for FY 2010, combined with the price notification in this docket, provides the Commission with the opportunity to order a price "re-adjustment" for Periodicals and Standard Mail Flats which would go into effect at the same time all other rates are being adjusted — April 17, 2011. Valpak urges that a remedial order entered in Docket No. ACR2010 be entered to ensure that prices of underwater Standard Flats and Periodicals are each moved up half-way to reaching the level of attributable cost.

II. UNDERWATER PRODUCTS

In its comments in Docket No. R2009-2, the most recent Type 1-A rate adjustment, Valpak discussed at some length the need for the Commission to give special attention to classes of mail and products that fail to cover their attributable costs. *See* Docket No. R2009-2, Valpak Comments on the United States Postal Service Notice of Market-Dominant Price Adjustment (Mar. 2, 2009), pp. 19-22. Rates for such classes are not in compliance with PAEA and result in huge monetary losses for the Postal Service.

In Order No. 536, the Commission pointed out that:

> Section 3652 (a)(1) requires the Postal Service each year to report to the Commission the costs, revenues, rates, and quality of service, using such methodologies as the Commission shall by regulation prescribe, and in sufficient detail to demonstrate that **all products** during such year complied with all applicable requirements of title 39. [Order No. 536, pp. 30-31 (emphasis original).]

Regrettably, in not one annual compliance report ("ACR") filed under PAEA has the Postal Service been able to demonstrate that during the year under review all products met this test. Instead, the Commission has relied on Postal Service pricing or a Postal Service plan to address the problem in the future. *See* FY 2009 ACD, p. 16. One result has been extensive financial losses, as discussed by Valpak in its Initial Comments on the FY 2010 ACR, pp. 23-55. Again here, the prices noticed by the Postal Service in this docket in no way can be expected to remedy such noncompliance.

In Order No. 536, the Commission elaborates on its review process as follows:

> It is important to recognize that the quantitative standards discussed above are different in kind from the qualitative rate and classification standards contained in sections 3622(b) and (c). The PAEA characterizes the **quantitative** standards as "**requirements**." It frames each in objective terms, in its own self-contained section, where all allowable exceptions are comprehensively itemized. In contrast, the PAEA frames the qualitative standards in discretionary terms. They are presented as a group and the application of each is conditioned upon the need to recognize and reflect the others.
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> These differences necessarily lead to differences in how the quantitative and the qualitative standards are to be applied in the modern system of ratemaking. **Quantitative pricing standards are at the top of the statutory hierarchy.** Next in the hierarchy are the qualitative "objectives" listed in section 3622(b), followed by the qualitative "factors" listed in section

> 3622(c). Under this hierarchy, violations of the three quantitative pricing requirements are "out of bounds." The Postal Service has broad flexibility to develop prices to achieve the qualitative objectives and factors of sections 3622(b) and (c) so long as its prices are "in bounds" because they satisfy these quantitative requirements. [*Id.*, pp. 35-36 (emphasis added).]

Of course, "the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type" under 39 U.S.C. section 3622(c)(2) is expressly described in PAEA to be a "requirement." But putting issues of statutory construction aside, Valpak urges the Commission to address two of the most egregious examples of underwater products dragging down the Postal Service's finances:

- an underwater product, Standard Flats, and
- an underwater class of mail, Periodicals.

Losses on account of these two together accounted for 71 percent of the Postal Service's total loss from underwater products in FY 2010. *See* Docket No. ACR2010, Valpak Initial Comments (Feb. 2, 2011), Table II-1, p. 27. They constitute a large percentage of the Postal Service's total operating loss for FY 2010. With the Postal Service edging toward insolvency, they can no longer be ignored.

A. Rate Adjustment Proposed for the Standard Flats Product.

The Postal Service's price changes for most Standard Mail products make sense. For example, the Postal Service noticed a price increase for NFMs/Parcels of **11.346 percent**. Postal Service Notice, p. 18. Thus, the Postal Service is taking the requisite steps to bring

coverage of NFMs/Parcels up to 100 percent. Price increases on High Density/Saturation products with coverages well over 200 percent have been held down. But the Postal Service again has used its rate flexibility to "moderate" the rate adjustment for Standard Flats to **0.835 percent**, about half the increase permitted by the 1.741 percent rate cap. The meager price adjustment proposed for Standard Flats will do virtually nothing to move this product toward compliance. Standard Flats will be deep underwater throughout all of FY 2011 and at least until sometime in March 2012, six months into the next fiscal year.

In the exigent rate case, Docket No. R2010-4, the Postal Service proposed a "mitigated" **5.1 percent** rate increase for Standard Flats, to become effective **January 3, 2011**, believing that Standard Flats could tolerate this increase. Now the Postal Service suggests that Standard Flats should not be given an increase in rates of even 1.0 percent. There is no apparent reason why the Postal Service reduced the rate increase for Standard Flats from the 5.1 percent for the rates it had noticed for **April 17, 2011**.

Standard Flats consists largely, almost entirely, of catalogs. No evidence exists that what is now the Standard Flats product has ever been profitable. It has been a money-losing product for as long as separate records have been reported. Despite that dismal record, in all rate adjustments under PAEA, the Postal Service has kept the adjustment for Standard Flats below the average rate increase for Standard Mail.

Table I
Standard Mail and Flats Percentage Price Increase

Docket No.	Flats	Standard Mail
R2008-1	0.865%	2.838%
R2009-2	2.306%	3.781%
R2010-4 (rejected)	5.134%	5.616%
R2011-2 (pending)	0.835%	1.739%

In part due to the prior mitigation of rate increases for Standard Flats, for the last two years the Standard Flats product has been substantially underwater, with a coverage in FY 2010 of only **81.6 percent**. In FY 2009, and again in FY 2010, Standard Flats received a subsidy in excess of half a billion dollars, which illustrates why the Commission should give special attention to underwater products in its review of rate adjustments. To bring revenue for Standard Flats up to attributable cost, a rate increase of **22.5 percent** now would be necessary. The Postal Service's rationale for using its rate flexibility to give Standard Flats yet another low rate adjustment, well below the 1.739 percent average imposed on Standard Mail, is as follows:

> The price change for the **Flats** product is **lower than the price cap: 0.835 percent**. This **continues efforts to moderate the increases for catalog mailers**, whose volume fell considerably between FY 2008 and FY 2010. Catalog mailers use this product, as well as the Carrier Route product. (For heavier catalogs, customers use Bound Printed Matter.) Volume decline is due, in part, to the especially difficult economic challenges facing this industry: lower consumer spending attributable to the recession, combined with the aftermath of the 2007 and 2009 price increases. Although FY 2010 data shows

> that Standard Mail Flats had a **cost coverage below 100 percent**, the Postal Service is mitigating the price increase to **maintain the viability** of the catalog industry (Factor 3).
>
> For Standard Mail Flats, a **cautious approach** is warranted because the catalog industry, which depends heavily on Standard Mail Flats, is in a **delicate financial position**. Economic activity, particularly retail spending, helps drive catalog volume. Past postage price increases combined with weak retail sales driven by the current economy have placed both **cost and market pressures** on catalog mailers, resulting in a severe contraction in their business. Over the **long run**, the Postal Service sees the catalog industry as a **growth segment** in its business. Catalog shopping is convenient, and the Internet provides customers with an efficient way to order merchandise from a catalog. A turnaround in economic conditions should help this ailing industry to **grow once again**; however, increasing postage prices too much in the **unique** circumstances of **this set** of price adjustments could force vulnerable catalog mailers **to cut their customer lists**. Once customers are lost, they are much more costly to reacquire. [Postal Service Notice, pp. 16-17 (emphasis added).]

Under the proffered rationale, Factor 3 ("the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters") is seen to trump all other factors and objectives in PAEA, as well as section 101(d). Yet nothing in Factor 3 says that underwater products deserve any kind of a subsidy, much less a continuing subsidy. Factor 3 should be applicable only to those products whose revenues exceed their attributable costs, *i.e.*, it should be considered totally inapplicable to underwater products. Allowing a rationale such as this to pass muster simply because the Commission does not have adequate time to review price adjustments for underwater products would deny all accountability, and indicate a serious

weakness in the PAEA, but this problem can be avoided by the Commission using its powers in the pending annual compliance review.

In view of the small, "mitigated" percentage increases given to Standard Flats since PAEA was enacted, the Postal Service's standard of "over the long run" will require decades before cost coverage rises to the level of 100 percent. In the meantime, other mailers must make up the difference between Flats' revenue and attributable cost. The Commission invited the Postal Service to provide a plan with a **specific time frame** for bringing coverage up to 100 percent (FY 2009 ACD, pp. 86-87), but in this docket, the Postal Service has presented no plan whatsoever.

Finally, references to a "growth segment" presumably refer to growth in unprofitable volume, because no mention is made of return to profitability, ever, or a return on the "investment" represented by prior or planned future subsidies to the catalog industry. It is past time that catalogs started to pay their own way. The Postal Service rationale for Standard Flats pricing fails to mention that during the recent holiday season the percentage increase in sales over the Internet substantially exceeded sales growth at retail stores.[3] It is unclear whether that growth in Internet sales went to "catalogers" (*i.e.*, companies that historically have depended heavily on catalogs because they do not operate retail stores), or to other vendors — *e.g.*, companies like Amazon.com that depend solely on the Internet, or retailers that sell via their

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[3] *See, e.g.,* "Q4 online sales grow 14.4%, year up 2.2%, Commerce Department reports," Internet Retailer, (Feb. 19, 2010). http://www.internetretailer.com/2010/02/19/q4-online-sales-grow-14-4-year-up-2-2-commerce-department-re

own stores and the Internet. But neither the Postal Service nor the Commission can afford to ignore underlying trends and changes in shopping habits brought on by the Internet. It is entirely possible that the volume decline in catalogs, despite huge subsidies, indicates that the Postal Service has been attempting to forestall the inevitable. If that is the way the world is going, no amount of subsidization by the Postal Service can bring selling via catalogs back to previous levels, and "mitigating" rate increases for catalogs in hopes of a strong revival is wishful thinking.

Valpak Recommendation. For the reasons set out above, Valpak urges that prices for Standard Flats should be adjusted upward now in Docket No. ACR2010 by **at least 11 percent**, similar to the level of price adjustment noticed by the Postal Service for Standard NFMs/Parcels.

B. Rate Adjustment Proposed for the Underwater Periodicals Class of Mail.

In discussing coverage for the Periodicals class, the Postal Service states:

> The Periodicals class has been **challenged in terms of cost coverage**. It did **not cover its attributable costs again** in FY 2010 (Factor 2, Objective 8). The Postal Service is cognizant of the special situation of Periodicals in terms of both the class' value to the public (Factor 8, Factor 11), and its failure to cover costs. The new prices are designed to balance the effect on individual publications and their readers, while taking advantage of the new price structure to **create relationships that will improve the efficiency** of the Periodicals products.
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> In the initial price change under the PAEA, the Postal Service **kept increases for all price components within Periodicals as close to the cap as was feasible** to minimize the possibility that any group of publications would incur major price changes. This price package refines price relationships to **encourage efficiency and containerization**, while limiting the price increases for individual publications. The actual price paid

> by a given publication is the combination of many price elements, so care has been taken to adjust the individual price elements in a manner that limits the resulting postage increases. [Postal Service Notice, p. 19.]

In an effort to use soft words to obscure a harsh truth, the Postal Service gently describes the losses by the Periodicals class of **over $600 million** in FY 2010, and **over $4.3 billion** in the last 14 years as being a class "**challenged** in terms of cost coverage." Of course, each year that the Periodicals class loses money, the Postal Service loses money, and other mailers are forced to pay more money to subsidize Periodicals. Despite $4.3 billion in losses, neither the Postal Service nor the Commission has taken steps to improve the coverage. What the Postal Service terms a "challenge" should be more accurately viewed as a "threat" to the Postal Service and other mailers.

Under the PAEA-mandated "modern system for regulating" market dominant rates under 39 U.S.C. section 3622(a), coverage has been allowed to deteriorate to an **all-time low of 75.5 percent** in FY 2010. *See* Docket No. ACR 2010, Valpak Initial Comments, Table II-2, p. 34. In the exigent rate case, Docket No. R2010-4, the Postal Service proposed an **8.035 percent** rate increase for Periodicals, to become effective **January 3, 2011**, believing that Periodicals could tolerate this increase. In this docket, the Postal Service 's noticed increase for Periodicals effective **April 17, 2011** was limited by the price cap of **1.74 percent**, but the Commission is not so limited in its powers in the pending ACR. A rate increase averaging **32 percent** would be necessary to bring revenue from Periodicals up to attributable cost in one giant step, and a rate increase of **16 percent** would be needed this year (and another when prices are next adjusted in April 2012) to bring Periodicals revenue up to attributable

cost in two equal steps. Such a large price increase would not have been necessary if smaller price increases had been ordered in the past — illustrating the danger of repeatedly deferring unpleasant but necessary action into the future indefinitely.

The Commission's FY 2009 Annual Compliance Determination ("ACD") elected to postpone yet again any action with respect to Periodicals pending receipt of the long-delayed Joint Task Force Report. In lieu of any action to reduce coverage, it stated that:

> *The Postal Service shall* ***develop and present a plan*** *explaining how it intends to increase Periodicals cost coverage to a reasonable level in its next notice of general price adjustments for market dominant products, or its next annual compliance report*. [FY 2009 ACD, p. 75 (italics original; bold added).]

During the exigent rate case, the Postal Service claimed to have a plan. Whether what the Postal Service presented constituted a tenable plan was never decided because the Commission rejected the rate request, now before the U.S. Court of Appeals for the D.C. Circuit on petition for review. The Postal Service itself now admits that its prior plan is no longer operative. Nor has the Postal Service presented any new plan to replace the old one. Clearly, the Postal Service has no plan to increase Periodicals cost coverage. It now is up to the Commission to act.

At this juncture, the Periodicals class presents a challenging case. Unlike Standard Mail Flats (discussed above), a number of periodicals are believed to be reasonably profitable for the Postal Service, whereas others are unprofitable. However, an average coverage of only 75.5 percent for the entire class indicates that some periodicals almost surely are very unprofitable (*i.e.*, with revenue covering somewhat less than 50 percent of attributable cost), thus are receiving a huge subsidy. A simple across-the-board increase sufficiently large to

close much of the gap could, figuratively speaking, "throw the baby out with the bath water" — not an advisable thing to do, nor the way to address the pricing problem in the Periodicals class. Yet in this rate adjustment, that is essentially the approach taken by the Postal Service, except that the nearly across-the-board increase averages only 1.741 percent, or about one-twentieth of what is needed to cover costs.

The price adjustment in Periodicals should be as selective as possible, with the largest increases targeted on the least profitable publications to the maximum extent feasible. Otherwise, any chance that Periodicals coverage will be materially improved through price adjustments is beyond all hope. Rates for the Periodicals class have not been in compliance with PAEA since the day it was signed into law. If rates cannot be selectively increased in the Periodicals class, and coverage increased rapidly to 100 percent, then the Commission should inform Congress that PAEA contains a serious, perhaps intractable, and possibly fatal flaw. If the Commission cannot use its powers under PAEA to solve this problem and start now to bring coverage of the Periodicals class up to 100 percent, then perhaps the Commission should suggest to Congress that it consider an appropriation for Periodicals to make up the shortfall. Continued subsidization of the Periodicals class (and other underwater products) is fundamentally unfair to other mailers and the Postal Service.

This year's price adjustments also will do little to improve price signals within Periodicals for greater efficiency. Of the rate adjustments for bundles, sacks, and pallets, the largest adjustment was an increase in the passthrough of costs into rates for pallets, the most efficient handling method, while the passthrough of costs into rates for sacks and bundles (the most costly handling methods) are kept at a much lower level. It is long overdue for those

publications to start paying more of their costs. These rate adjustments disregard yet again the advice in the Commission's prior ACDs (*see, e.g.,* FY 2009 ACD, p. 76), and predictably will have little or no effect with respect to improving coverage.

Valpak Recommendation. For the reasons set out above, Valpak urges that if price changes cannot be targeted to incentivize lower-cost mail, the prices for the entire class should be increased by **16 percent** in Docket No. ACR2010.

III. TIMING OF RATE RE-ADJUSTMENTS, WHEN REQUIRED

PAEA requires the Postal Service to file an annual compliance report 90 days after the end of the fiscal year (or at the end of December of each year), and limits the period of the Commission's review to 90 days, or by the end of March of the following year. *See* 39 U.S.C. §§ 3652 and 3653.

Rule 3010.7 requires the Postal Service to file with the Commission a Schedule for Regular and Predictable Price Changes designed to "provide mailers with estimated implementation dates for future Type 1-A rate changes for each separate class of mail…." An initial schedule had been filed on February 22, 2008. Recently, on January 13, 2011, the same day that the Postal Service filed its "Notice of Market-Dominant Price Adjustment" in Docket No. R2011-2, the Postal Service filed an "Updated Schedule of Regular and Predictable Price Changes." This schedule provides that the Postal Service "expects to implement price changes for all of the market-dominant classes on April 17, 2011 [and] to implement price changes for

all of the market-dominant products in mid-April of each subsequent year."[4] This represents a change from past practices when price changes for market dominant products occurred each May (May 14, 2007; May 12, 2008; May 11, 2009).

Advancing the date of pricing changes makes the work of the Commission, and mailers and mailer associations seeking to provide input to the Commission, more challenging, as the period of review of noticed rates overlaps with the period of review of the annual compliance report. However, as explained below, there is no change with respect to two problems that existed under the previous May price-change regimen.

First, during each fiscal year, every product will have two different rates, but the period when the different rates are in effect will vary as between competitive and market dominant products. Each annual compliance report must contain costs for the prior fiscal year, but those costs need to be matched against revenues from different sets of rates. As a result, when drawing inferences about the most recent rate increases, in a close case it could be more difficult to conclude that "current rates are [or are not] providing revenues sufficient to cover all operating costs." Evaluating compliance with this objective using data from two or more rate regimes during the prior fiscal years presents a recurring problem.

Second, by the time the Commission completes its annual compliance determination, the Postal Service has already announced its price changes for the year. Therefore, any modifications the Commission may find necessary to order into effect under 39 U.S.C. section

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[4] The schedule for price increases for competitive products is unchanged by this update.

3653(c) could be viewed by affected mailers as disruptive of price changes already announced by the Postal Service.

Valpak has commented on these problems before, and recommended that the Postal Service use its flexibility for implementation of price changes in the fall, so that they could take advantage of Commission input through the annual compliance review process. Valpak had been hopeful that a more rational schedule might be adopted,[5] but these recommendations appear to have been overtaken by a series of events, including the Commission's rejection of the Postal Service's exigent rate case (which had been proposed to take effect on January 2, 2011), and the financial crisis of the Postal Service.

Should Postal Service finances ever normalize, Valpak will revisit this recommendation.[6]

CONCLUSION

The Postal Service's notice of price change states that as a general principle "[w]hen considering this price change, it is important to consider the long-term, rather than simply focusing on this year's prices in isolation." Postal Service Notice, p. 11. Using this standard, based on the long-term record of losses of the Standard Flats product and the Periodicals class, the Commission has the responsibility to act in the now-pending annual compliance review to

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[5] *See* Docket No. R2010-4, Valpak Reply Comments (Sept. 2, 2010), pp. 36-38, http://www.prc.gov/Docs/70/70092/VP%20R2010-4%20Reply%20Comments%20final.pdf.

[6] Valpak makes these same comments on timing in its Initial Comments in Docket No. ACR2010, also filed this same day.

direct the Postal Service to adjust prices so that they move at least one-half of the way toward to full coverage.

Respectfully submitted,

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