

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Price Adjustment)

Docket No. R2011-2

PUBLIC REPRESENTATIVE NOTICE OF ERRATA TO COMMENTS
IN RESPONSE TO UNITED STATES POSTAL SERVICE NOTICE OF
MARKET-DOMINANT PRICE ADJUSTMENTS

(February 8, 2011)

The Public Representative hereby provides notice of errata to the Public Representative Comments in Response to United States Postal Service Notice of Market-Dominant Price Adjustments filed February 2, 1011.

Table 2 on page 8 inadvertently lists an existing rate of \$0.88 cents rather than the correct existing rate of \$1.22 for one ounce parcels. A conforming correction on page 7 also changes the \$0.88 for 1 ounce parcels to \$1.22 for 1 ounce parcels and a resulting reduction in the calculated percentage change in that rate from 194 percent to 140 percent.

Revised pages 7 and 8 are attached to this Notice.

Respectfully submitted,

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Table 1 QBRM Letter/Card Discounts⁹

Year	Discount	Unit Cost Avoidance	Passthrough
R2009-2	\$0.023	\$0.023	101.4%
ACR2009	\$0.023	\$0.025	92.9%
ACR2010	\$0.023	\$0.014 ¹⁰	164.3%
R2011-4 (Proposed)	\$0.023	\$0.013 ¹¹	176.9%

A. Parcel rate conflation of 1-3 ounce rates

The Postal Service proposes to increase First-Class Parcels rates overall by a reasonable 3.753 percent. Adjustment Notice at 12. Before the rate increase, First-Class parcels has a cost coverage of 99.89 percent.¹² Yet, within that parcel category, the Postal Service proposes to conflate three First-Class Mail parcel weight ranges of up to 1 ounce, up to 2 ounces, and up to 3 ounces, into one new substantially increased rate covering up to 3 ounces at \$1.71. Currently, as shown on Table 2, the rates for 0-3 ounces parcels are substantially lower: \$1.22 for 1 ounce, \$0.1.39 for 2 ounce, and \$1.56 for 3 ounce parcels. The significant rate increases equate to 140 percent for one ounce, 123 percent for two ounces and 110 percent for 3 ounces.

The Postal Service argues that even though First-Class parcel volumes have declined, it expects the proposed rates will continue to be an attractive shipping option.

⁹ Docket No. R2009-2, PRC-R2009-2-LR1; Docket No. ACR2010, Annual Compliance Report FY 2010, USPS-FY10-42 and; Docket No. R2011-2, Attachment B at 1.

¹⁰ Docket No. ACR2010, Annual Compliance Report, FY 2010, USPS-FY10-42, filename "ChIR.1.Q.1.USPS-FY10-21.ACR2010.xlsx".

¹¹ The unit cost avoidance may be understated by \$0.001. See Docket No. ACR2010, Annual Compliance Report, Response to Chairman's Information Request No. 1, Question No. 1, January 24, 2011,

¹² Docket No. ACR2010, Annual Compliance Report FY 2010, December 29, 2010, USPS-FY10-1, FY10PublicCRA.

Postal customers mailing parcels in the 0 to 3 ounce weight range appear to be captive customers because few if any competitively priced options are available. Nevertheless, these rate increases for 0-3 ounce parcels are excessive. The Postal Service appears to be applying monopoly pricing power over smaller First-Class parcels without providing justification except noting that the (captive) market will bear the burden.

Table 2 First-Class Parcels 0 – 3 ounces¹³

Weight Not Over	Proposed Rate (a)	Existing Rate (b)	% Change (a)/(b)
1 ounce	\$1.71	\$1.22	194%
2 ounces	\$1.71	\$1.39	123%
3 ounces	\$1.71	\$1.56	110%

B. Barcoded and Presorted Automation ADC Flats

In this docket, the Postal Service proposes to lower the workshare discount for automation ADC presort flats from \$0.122 to \$0.120 or only \$0.002. See Table 3. The resulting passthrough of avoided costs is 272.7 percent. This passthrough not only remains well in excess of 100 percent, but is only a slight improvement from 277.3 percent reported in the FY 2010 Annual Compliance Report and a significant increase over the 145.6 percent two years ago in Docket No. R2009-2.

¹³ Adjustment Notice, Attachment A at 11. Existing rate: <http://www.usps.com/prices/first-class-mail-prices.htm>.