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

NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT	Docket No. R2013-1

RESPONSE OF L.L.BEAN, INC. TO VALPAK MOTION TO STRIKE STANDARD MAIL PRICE ADJUSTMENT

(October 31, 2012)

On October 27, 2012, Valpak Direct Marketing Systems, Inc. and Valpak Dealers Association, Inc. ("Valpak") filed a "Motion to Strike the Standard Mail Price Adjustment from the United States Postal Service Notice of Market Dominant Price Adjustment," which was filed on October 11, 2012. L.L.Bean, Inc. hereby submits its response to Valpak's motion.

Founded in 1912, L.L.Bean is one of the oldest catalog distribution companies in America, for a century using the mail to reach customers with its catalogs as a cornerstone of its growth. L.L.Bean is a substantial user of Standard Mail, mailing its catalogs predominantly at Carrier Route postal rates and also at Standard Mail Flat and higher-density rates.

Valpak's motion to strike is aimed at the Postal Service's decision to increase the prices for Standard Mail Flats by only 2.570 percent, the class-wide average based on CPI. Valpak maintains that this violates the Commission's noncompliance determination in Docket ACR2010 to impose above-average increases on Standard Mail Flats as a means of bringing that below-cost product to full cost coverage, a determination that has been upheld by the U.S. Court of Appeals.

In its discussion, however, Valpak does not mention the Postal Service's rationale for this only-average increase for Flats, predicated on maintaining a fixed (and apparently permanent) price differential between Flats and Carrier Route:

> "[T]he Postal Service's pricing decision for Flats was also influenced by the need to manage the price gap between Standard 5-Digit automation flats and Carrier Route flats. Had the Postal Service given a larger price increase to Standard Mail Flats, it would have been *forced* to increase Carrier Route prices (which are already increasing by 3.133%) even further." USPS Notice of Market-Dominant Price Adjustment, at 24 (emphasis added).

In essence, this pricing approach holds Carrier Route hostage to any further increases in Flats prices.

L.L.Bean disagrees that this fixed price differential is "forced" upon the Postal Service. More importantly, we believe that this approach is inimical not only to the catalog industry but to the Postal Service's own interest. According to a survey by the American Catalog Mailers Association, Carrier Route is by far the predominant category used by the catalog industry, accounting for two-thirds or more of total catalog mail volume. Moreover, Carrier Route is the primary product used by catalogers in prospecting for new customers. Prospecting is the lifeblood of the catalog business, the key to expanding a cataloger's customer base and sales. However, because catalogs sent to non-customer prospects have a generally lower response rate and return-on-investment than customer-list catalogs, prospecting mail volumes are more highly sensitive to postal rates. Above-average increases in Carrier Route prices unnecessarily inhibit catalogers' prospecting efforts.

Prospecting is also a key for the Postal Service in growing catalog mail volumes. But instead of pursuing strategies to encourage prospecting and expanded growth of

Carrier Route mail, the Postal Service seems headed in the opposite direction. Since 2008, Carrier Route has been hit with the largest aggregate percentage price increases of any Standard Mail product except below-cost Parcels. Under its latest lock-step approach to Carrier Route pricing, that disturbing trend seems destined to continue and worsen.

Rather than treating Carrier Route as an appendage to Standard Flats, the Postal Service needs to start focusing on ways to make Carrier Route a more viable product for the catalog industry. L.L.Bean intends to pursue with the Postal Service reformulations of Carrier Route that would allow more flexible pricing of this important product.

In the meantime, however, the unfortunate (and unnecessary) effect of the Postal Service's current pricing position, if Valpak's motion were granted, would likely be a new set of rate adjustments that hammer Carrier Route with even higher increases. For this reason, we urge that Valpak's motion be denied.

Respectfully submitted,

/s/__________________________

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