

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony Hammond; and
Nanci E. Langley

Modification of Mail Classification Schedule
Regarding First-Class Mail Single-Piece
Residual Price Table

Docket No. MC2013-30

ORDER DEFERRING DECISION ON MINOR CLASSIFICATION CHANGE
CONCERNING FIRST-CLASS MAIL SINGLE-PIECE RESIDUAL PRICE TABLE

(Issued January 25, 2013)

On January 8, 2013, the Postal Service filed a notice pursuant to 39 C.F.R. 3020.90 and 3020.91 of a minor classification change concerning rates applicable to presorted First-Class Mail residual pieces.¹ Those rates, as approved in Docket No. R2013-1, are scheduled to become effective January 27, 2013.

On January 18, 2013, the Postal Service modified its initial proposal in response to the Chairman's Information Request (CHIR) No. 1.² The revised proposal was

¹ Notice of the United States Postal Service of Minor Classification Changes Related to First-Class Mail Single-Piece Residual Price Table, January 8, 2013 (Notice).

² Response of United States Postal Service to Chairman's Information Request No. 1, January 18, 2013, at 5 (CHIR Response).

submitted after the comment period on the initial proposal closed. Given this development, the Commission will defer its decision until interested persons have had the opportunity to comment on the revised proposal, and the Postal Service has responded to Commission Information Request (CIR) No. 1, issued contemporaneously with this Order.

Docket No. R2013-1. In Docket No. R2012-3, the Postal Service proposed, and the Commission approved, a free second ounce for all presort letters.³ As a result, mailers began to create presort mailings consisting of mixed weight letters, with letters weighing up to two ounces.⁴ Residual pieces from these mixed mailings are charged the Single-Piece Machinable Letter rate, with different prices for one and two ounce letters. *Id.* at 15-16. As a result, mailers must separate one and two ounce residual pieces in order to correctly calculate postage. *Id.* at 16.

In Docket No. R2013-1, the Postal Service sought to solve this “logistical problem” by establishing a new price and price table for Single-Piece Residual Machinable Letters. *Id.* at 15. The Postal Service proposed that a uniform price of 48 cents apply “to all the residual pieces weighing up to 2 ounces.” *Id.* at 16. The price table proposed for this product for the Mail Classification Schedule (MCS) is as follows:

Single-Piece Residual Machinable Letters

Maximum Weight (ounces)	Residual Machinable Letters (\$)
1	0.48
2	0.48
3	0.86
3.5	1.06

³ Docket No. R2012-3, Order No. 987, Order on Price Adjustments for Market Dominant Products and Related Classification Changes, November 22, 2011, at 14.

⁴ See Docket No. R2013-1, United States Postal Service Notice of Market-Dominant Price Adjustment, October 11, 2012, at 15 (Docket No. R2013-1 Notice).

Comments on this proposal were filed by the National Postal Policy Council (NPPC) and Pitney Bowes.⁵ NPPC raised several concerns about this proposal including that it provides presort mailers with residual pieces a choice between: (1) paying 48 cents for all residual pieces; or (2) separating the two-ounce pieces, paying 48 cents for them, and mailing the one-ounce pieces separately at the normal 46 cent First-Class Single-Piece rate. NPPC Docket No. R2013-1 Comments at 17. NPPC also requested that the Postal Service withdraw or revise this proposal. *Id.* at 16. The Postal Service did not respond to the comments on this issue.

On November 16, 2012, the Commission issued an Order accepting the Postal Service's proposed pricing and price table for Single-Piece Residual Machinable Letters weighing up to two ounces.⁶ Thus, effective January 27, 2013, Single-Piece Residual Machinable Letters weighing up to two ounces are to be charged 48 cents per residual piece. Order No. 1541 at 12-13.

⁵ Comments of Pitney Bowes Inc., November 1, 2012; Comments of the National Postal Policy Council, November 1, 2012 (NPPC Docket No. R2013-1 Comments).

⁶ Docket No. R2013-1, Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, November 16, 2012, at 12-13 (Order No. 1541).

Description of initial proposal. In the instant proceeding, the Postal Service initially proposed to clarify the language in the MCS by amending the price table for First-Class Mail Single-Piece Residual Letters. Notice at 1. Stating that the clarification followed the approach of Docket No. R2013-1, the Postal Service proposed the following price table:

Mixed Single-Piece Residual Machinable Letters

Maximum Weight (ounces)	Residual Machinable Letters (\$)
1	0.48 ¹
2	0.48 ¹
3	0.86
3.5	1.06

1. This price applies only to mixed mailings of residual one-ounce and two-ounce Machinable letters. Single-Piece Machinable Letter prices apply to Residual mailings for which one-ounce residual letters are separated from two-ounce residual letters.

Id. at 3.

The changes from the language approved in Docket No. R2013-1 are underlined and indicate that the new blended price applies only to mixed mailings of residuals – that is a mixture of one- and two-ounce residual pieces. Under this proposal, if the residual consists solely of one-ounce or solely of two-ounce pieces, the mailer would pay the applicable Single-Piece Machinable Letter retail price, *i.e.*, 46 cents for one-ounce pieces and 66 cents for two-ounce pieces.

Comments on the initial proposal. The Postal Service’s proposal generated comments from several interested parties. NPPC and the Major Mailers Association comment that the Postal Service’s proposal “amounts to a classic bit of ‘bait and switch’” and is an attempt “to implement a rate increase through a so-called ‘minor’ classification change.”⁷ The Association for Postal Commerce and the Association for

⁷ Opposition of the National Postal Policy Council and the Major Mailers Association, January 17, 2013, at 1, 5.

Marketing Service Providers similarly state that the proposed change is not “minor” because “it completely alters the implementing rules in a way which not only upsets any value to the category but, more importantly, nullifies the very substantial programming and other costs that mailers have incurred to be in a position to comply with the new prices.”⁸ The Association for Mail Electronic Enhancement also filed comments, urging the Commission to “reject the proposal as an improper rate increase and as inconsistent with Order No. 1541.”⁹

The Public Representative recommends approval of the Postal Service’s proposal, finding it consistent with 39 C.F.R. 3020.90 and 3020.91.¹⁰ The Public Representative also expressed concern that the proposal fails to eliminate “the incentive of mailers to increase the volume of two-ounce letters qualifying for the 48-cent price” by presenting residual mailings “that consist of two-ounce letters and a single one-ounce letter.” PR Comments at 2.

⁸ Comments of the Association for Postal Commerce, January 17, 2013, at 3. See *also* Notice of Errata to the Comments of the Association for Postal Commerce, January 18, 2013.

⁹ Opposition of the Association for Mail Electronic Enhancement, January 17, 2013, at 1.

¹⁰ Public Representative Comments on Postal Service Notice of Minor Classification Change Concerning First-Class Mail Single-Piece Residual Price Table, January 17, 2013, at 2 (PR Comments).

Description of revised proposal. CHIR No. 1 asked the Postal Service to clarify its proposal, to explain any price cap impact, and to explain why the proposed change is not a rate change.¹¹ In response, the Postal Service offers a revised MCS price table. CHIR Response at 5. The revised price table is reproduced below with changes underlined:

Single-Piece Residual Machinable Letters

Maximum Weight (ounces)	Residual Machinable Letters (\$)
1	0.48 ¹
2	0.48 ¹
3	0.86
3.5	1.06

1. This price applies only to residual machinable letters that are presented with a Presort mailing. Retail prices for Single-Piece Machinable Letters will apply if the residual letters presented with a mixed-weight Presort mailing are purely two-ounce items.

Id.

The revised proposal removes the requirement that the price table applies only to “mixed” residual mailings. As revised, the Single-Piece Machinable Letter rate would apply only to residual pieces in a mixed-weight mailing consisting solely of two-ounce pieces. All other residual pieces would pay 48 cents per piece. In support of the revised proposal, the Postal Service states, that “it is highly unlikely that a mixed-weight Presort mailing would generate only two-ounce residual pieces.” *Id.* at 8.

Commission analysis. Proposed classification changes filed pursuant to 39 C.F.R. 3020.90 and 3020.91 are intended to ensure that product descriptions in the MCS are accurate and are limited to changes that are minor in nature and that do not entail modifying the product lists. 39 C.F.R. 3020.91; 39 C.F.R. part 3010. An opportunity for comment by interested persons is required by Commission regulations. See 39 C.F.R. 3020.92.

¹¹ Chairman’s Information Request No. 1, January 15, 2013.

The revised proposal raises several issues; principal among them is that no person has had an opportunity to comment on it. The Commission is also not yet convinced that the change proposed by the Postal Service is “minor” in the spirit of 39 C.F.R. 3020.91. Therefore, CIR No. 1, issued contemporaneously herewith, will address follow-up issues.

Accordingly, the Commission defers ruling on the revised proposal pending receipt of the Postal Service responses to CIR No. 1 and interested persons’ comments. Comments are due 7 days from the date of the Postal Service’s response to CIR No. 1. This Order should not be construed to impact any of the rates or classification changes approved in Docket No. R2013-1.

It is ordered:

1. Comments from interested persons are due 7 days from the date of the Postal Service’s response to CIR No. 1.

By the Commission.

Shoshana M. Grove
Secretary