

ORDER NO. 1902

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman; and
Mark Acton

Notice of Market-Dominant
Price Adjustment

Docket No. R2013-10

ORDER APPROVING AMENDMENTS TO
NOTICE OF MARKET DOMINANT PRICE ADJUSTMENT

(Issued December 11, 2013)

I. BACKGROUND

On November 21, 2013, the Commission disposed of all but two issues regarding the Postal Service's notice of market dominant price adjustments.¹ The first remaining issue concerned First-Class Mail, Standard Mail, and Periodicals prices associated with implementation of new Full Service Intelligent Mail barcode (IMb) requirements. The second remaining issue concerned a disparity between Standard Mail commercial and nonprofit 5-digit automation discounts. The Commission provided the Postal Service

¹ Order on Price Adjustments for Market Dominant Products and Related Mail Classification Changes, November 21, 2013 (Order No. 1890); Notice of Erratum, November 21, 2013. See also United States Postal Service Notice of Market-Dominant Price Adjustment, September 26, 2013 (Notice).

with options to resolve each issue, and directed the Postal Service to notify the Commission of its decisions by November 29, 2013.

On November 29, 2013, the Postal Service notified the Commission that it will resolve the Full Service IMb issue by deferring implementation of new IMb requirements until a date after 2014.² It will resolve the Standard Mail commercial and nonprofit 5-digit automation discount issue by revising Standard Mail commercial prices. The Postal Service stated that the proposed prices will take effect without further revision on January 26, 2014.

The Commission issued an order noticing the Postal Service's Response and inviting interested persons to submit comments by December 6, 2013.³ No comments were filed.

II. FULL SERVICE IMb REQUIREMENT

In Order No. 1890, the Commission found the planned price adjustments for First-Class Mail, Standard Mail, and Periodicals, as proposed by the Postal Service, would violate 39 U.S.C. § 3622(d) because the simultaneous implementation of the Full Service IMb requirements, together with the planned price adjustments, would cause rates to increase by more than the maximum rate adjustment calculated in accordance with 39 C.F.R. § 3010.20. Order No. 1890 at 35, 106.

The Commission suggested two options for resolving this issue. The Postal Service could implement the price adjustments identified in its Notice (with the exception of the commercial and nonprofit discounts for Standard Mail 5-digit

² Response of the United States Postal Service to Order No. 1890, November 29, 2013 (Response). Attached to this pleading, the Postal Service provided an update to the Mail Classification Schedule (Attachment A) with the new prices for Standard Mail 5-digit automation flats, updated workshare tables (Attachment B), and a draft of the planned *Federal Register* notice announcing the deferral of the Full Service IMb requirement (Attachment C). In addition, revised Standard Mail workpapers were filed concomitantly with this pleading as Excel workbook CAPCALC-STD-R2013-10_REMAND_USPS.xls.

³ Order No. 1894, Notice and Order on Amended Market Dominant Price Adjustment, December 2, 2013.

automation flats) if it elected not to implement the Full Service IMb requirements in conjunction with the planned price adjustments. Alternatively, the Postal Service could adjust the billing determinants for First-Class Mail, Standard Mail, and Periodicals in the manner it used to reflect the implementation of Full Service IMb requirements in Package Services and file amended rates. *Id.* at 35-36, 106-07.

The Postal Service elected to defer the implementation date of the Full Service IMb requirement (for access to automation rates) until a date after 2014. Response at 2, 3. Attachment C of the Postal Service's Response includes a draft *Federal Register* notice that the Postal Service intends to publish, announcing the deferral of the Full Service IMb requirement.

The Commission finds that the Postal Service's decision to defer the implementation date of the Full Service IMb requirement is consistent with the directive in Order No. 1890. The prices associated with this decision are those shown in the Postal Service's original Notice, Attachment A (with the exception of the commercial and nonprofit discounts for Standard Mail 5-digit automation flats discussed below).

III. STANDARD MAIL COMMERCIAL AND NONPROFIT

In Order No. 1890, the Commission found the disparity between commercial and nonprofit workshare discounts for Standard Mail 5-digit automation flats, as proposed by the Postal Service, unlawful and remanded the issue to the Postal Service for further consideration. Order No. 1890 at 84, 106.

The Commission suggested options for resolving this issue. The Postal Service could either raise the nonprofit discount or lower the commercial discount, or some combination of both. Alternatively, the Postal Service could alter other Standard Mail prices to accomplish the equalization of the nonprofit and commercial discount. *Id.* at 84; *see also id.* at 106.

The Postal Service elected to lower the commercial 5-digit automation flats discount from 9.2 cents to 9.0 cents. Response at 2. To do so, it increases the commercial 5-digit automation flats per-piece price at all dropship levels. *Id.* at 4. The

Postal Service states that the revision increases the average price for the Standard Mail Flats product to 2.078 percent. *Id.* It states that no other Standard Mail prices were changed as a result of the commercial 5-digit automation flats revisions. *Id.*

The Commission finds that the Postal Service's price adjustments to commercial and nonprofit discounts for Standard Mail 5-digit automation flats are consistent with the directive in Order No. 1890. The prices associated with these adjustments are those shown in Attachment A of this Order.

The Postal Service's price adjustments further modify the available unused price adjustment authority for Standard Mail. New unused authority created in this proceeding equals the unused portion of the annual limitation of 0.054 percent. The sum of all available unused rate adjustment authority for Standard Mail, from the instant price adjustment and previous price adjustments, now equals -0.387 percent.

It is ordered:

1. With the Postal Service's decision to defer the implementation date of the Full Service IMb requirement, the associated price adjustments for First-Class Mail, Standard Mail, except as provided in paragraph 2 below, and Periodicals described in the Postal Service's Notice, filed September 26, 2013, are consistent with 39 U.S.C. §§ 3622(d), 3622(e), and 3626, and may be put into effect as planned.

2. The price adjustments for Standard Mail described in the Postal Service's Notice, filed September 26, 2013, as modified by the price adjustments described in the Postal Service's Response (associated with commercial and nonprofit 5-digit automation flats discounts), filed November 29, 2013, are consistent with 39 U.S.C. §§ 3622(d), 3622(e), and 3626, and may be put into effect as planned.

By the Commission.

Shoshana M. Grove
Secretary

MAIL CLASSIFICATION SCHEDULE

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Part A Market Dominant Products

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1001 Market Dominant Product Descriptions

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1200 Standard Mail (Commercial and Nonprofit)

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1225.6 Prices

Automation Flats (3.3 ounces or less)

Entry Point	Commercial					
	DFSS Scheme (\$)	DFSS Facility (\$)	5-Digit (\$)	3-Digit (\$)	ADC (\$)	Mixed ADC (\$)
Origin	n/a	<u>0.370</u>	<u>0.370</u>	0.460	0.510	0.523
DNDC	n/a	<u>0.337</u>	<u>0.337</u>	0.427	0.477	0.490
DSCF	n/a	<u>0.327</u>	<u>0.327</u>	0.417	0.467	
DFSS	<u>0.326</u>	n/a	n/a	n/a	n/a	n/a

Entry Point	Nonprofit					
	DFSS Scheme (\$)	DFSS Facility (\$)	5-Digit (\$)	3-Digit (\$)	ADC (\$)	Mixed ADC (\$)
Origin	n/a	0.225	0.225	0.315	0.365	0.378
DNDC	n/a	0.192	0.192	0.282	0.332	0.345
DSCF	n/a	0.182	0.182	0.272	0.322	n/a
DFSS	0.181	n/a	n/a	n/a	n/a	n/a

Automation Flats (greater than 3.3 ounces)

Charges are computed by multiplying the number of pieces in the mailing by the applicable per-piece price, multiplying the number of pounds of the mailing by the applicable per-pound price, and adding both totals.

a. Per Piece

<u>Entry Point</u>	Commercial					
	DFSS Scheme (\$)	DFSS Facility (\$)	5-Digit (\$)	3-Digit (\$)	ADC (\$)	Mixed ADC (\$)
DFSS	0.213	n/a	n/a	n/a	n/a	n/a
Other	n/a	<u>0.214</u>	<u>0.214</u>	0.304	0.354	0.367