

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

**DSCF Standard Mail Load Leveling**

**Docket No. N2014-1**

**INITIAL BRIEF OF THE ASSOCIATION FOR POSTAL COMMERCE**

Pursuant to Commission Order No. 1932, the Association for Postal Commerce ("PostCom") hereby submits this brief in response to the request filed by United States Postal Service ("USPS" or "Postal Service") regarding potential changes in the manner in which it processes and dispatches Standard Mail that qualifies for a Destination Sectional Center Facility ("DSCF") discounted rate. PostCom also submitted similar comments to the Postal Service in response to its Federal Register proposed rule.

In an Advisory Opinion proceeding, the essential question is whether the proposed action comports with the requirements of the Postal Accountability and Enhancement Act. An essential element of that analysis must be the practical impact of the proposed action on the mailing industry. PostCom submits that the Postal Service has not accounted for features of the mailing industry which may present obstacles to the successful implementation of its load leveling plan and which may result in unintended consequences to both mailers and the Postal Service. Additionally, this brief highlights deficiencies in the process the Postal Service followed in announcing its load leveling plan to both industry and the Postal Regulatory Commission.

**I. THE POSTAL SERVICE PLAN FAILS TO ACCOUNT FOR MAILERS' NEED FOR PREDICTABILITY**

PostCom believes that the Postal Service, through various operational and technological initiatives, has provided the mailing industry with predictable and reliable mail service. The USPS' proposed load leveling plan, however, calls this predictability into question.

Although Standard Mail is a deferrable product by definition, this does not mean that the predictability of the delivery is any less important than for First-Class Mail or Periodicals. Mailers, specifically advertisers of all industry segments, use predictable, reliable mail delivery to help run their internal operations. These operations will be greatly affected if this predictability is not maintained in a manner that satisfies the needs of advertisers.

The Postal Service's load leveling plan does not adequately account for this need for predictability. It relies on assumptions of how mailers will react to the changes that focus on entry times, rather than predictable days of delivery. These assumptions fail to account for how mailers will adapt their mailing plans to achieve mailing dates that work best for them.

Adding a day to the delivery standard for a window of up to four days will greatly affect how mailers respond to this proposed plan. The mailing industry is made up of mailers with differing needs. But all mailers need some reasonable expectation regarding in-home delivery dates. PostCom members focus greatly on their own ability to effectively plan mailing schedules to hit targeted in-home dates. There are still many questions within the industry on how the USPS will consistently maintain its predictable service while implementing and following its proposed load leveling plan.

For instance, mailers desiring to maintain Monday delivery likely will enter mail a day earlier to account for the change in expected delivery dates. However, as the USPS explained in response to a Public Representative interrogatory regarding early delivery, "the service standard

for deferrable mail, including Standard Mail, reflects a goal of delivery by the day identified in the service standard, and does not include a commitment to delivery on a specific day.”

Response of United States Postal Service Witness Malone to PR/USPS-T1-24(d). With the increase of the time span between the entry date and expected delivery date in the Postal Service’s load leveling plan, the opportunities for, and likelihood of, early delivery will increase—and the ability of mailers to predict likely delivery days will decrease. Although the Postal Service may continue to meet its service standards, it will not necessarily meet the needs of the mailing customers, complicating mailers’ efforts to staff call centers, advertise sales, and generally plan the rest of their business. This increased unpredictability will decrease the value of mail as an advertising medium.

Ultimately, PostCom believes that the proposed changes will greatly disrupt the current mail flow through the USPS system to an extent that the Postal Service cannot imagine and will in turn have a serious impact on meeting the delivery expectations of mailers. Our members believe that there will be an increase in overall logistical costs to meet in-homes dates. Further complicating these issues, not all mailers will react to the changes identically. While many mailers are sensitive to expected delivery dates, others care more about entry dates. Obviously, these groups of mailers will react differently to the proposed changes. As some mailers move their entry dates to match the new expected delivery dates, existing comingling and copalletization activities will be disrupted, likely resulting in a decrease in the overall level of copalletized and comingled mail. These changes will impose additional costs on all mailers, as well as the Postal Service. Mailers who change entry dates will no longer have the ability to qualify for comingle or copallet opportunities, thus increasing their cost, while the mailers that stay with current mail schedules see an increase in cost from lesser volumes that will be

presorted or dropshipped deeper into USPS operations. The USPS could see an increase in cost as mail no longer meets qualification for dropship entry and mail moves upstream to more costly operations. This shift will result in additional transportation to transport mail downstream as well as increased labor costs associated with handling mail upstream.

In short, there are various outcomes that could arise from this unforeseeable change in mailer behavior that do nothing but increase the overall cost of mail. The cause of these potential problems is simple: the Postal Service has crafted its load leveling plan to meet *its* wishes, not the needs of its customers. This service reduction comes at the same time the industry has been hit with an exigent increase, making mail a less attractive medium compared to other advertising channels. The hidden price increase surrounding this proposed plan will only continue to drive mail out of the system.

## **II. THE POSTAL SERVICE'S PRESENTATION OF ITS PLAN TO THE COMMISSION WAS PREMATURE**

PostCom believes that the Postal Service needs to be more forthcoming in its approach to the mailing industry. The request for an advisory opinion was announced without an understanding and alignment with the MTAC #157 workgroup which the USPS had formed to discuss its load leveling plan. There were many questions and issues still outstanding on the load leveling test conducted by the USPS that were never answered or addressed prior to filing the request at the Commission.

Further, the Postal Service admits that it has not even developed estimates of the workload or cost savings its plan will generate if implemented on a system-wide basis. See USPS Response to PR/USPS-T1-9. While admitting that the development of such an estimate “may be ideal,” the Postal Service nevertheless insists that no estimate is necessary for the Commission to evaluate its request for an advisory opinion. USPS Response to PR/USPS-T1-

21. Yet if such cost estimates are not developed and shared in the advisory opinion context, there is no assurance the Postal Service will ever develop such estimates. Without these estimates, how can the Postal Service predict its plan's likelihood of success?

The Postal Service also needs to improve testing for concepts/ideas to ensure that all aspects of a proposal are pursued and worked through before pushing changes to a production mode. The USPS' request for an advisory opinion from the Commission came while mailers and the Postal Service were still in discussions about the impact of and awaiting results of a subsequent test that was initiated by mailers because of the inadequate initial test done in New Jersey. Without waiting for the results of this second test, the USPS used company names and insinuated that mailers, while not in complete agreement, were not going to be harmed by changes related to load leveling. With the diversity of the mailing industry and USPS sites it should be clear to the Postal Service that testing in one site is not adequate to make a final ruling. More testing is needed to ensure a negative impact will not occur. In the future, USPS should request an advisory opinion only after it has engaged in adequate testing to ensure that, at the outset of the proceedings, mailers and the Commission have access to all the relevant information needed to evaluate the proposal.

Respectfully submitted,

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