

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2015-4

**MOTION OF NATIONAL NEWSPAPER ASSOCIATION FOR CHAIRMAN'S
INFORMATION REQUEST**
(February 3, 2015)

In the Postal Service's Notice of Market Dominant Price Adjustment (January 15, 2015), it notifies the commission that it has changed the pricing of containers and bundles "based on the estimated costs of handling them." At 27.

The new rates for bundles appear to represent increases of as much as 124 percent, in the case of 3-digit or SCF bundles in an ADC or SCF container and even as high as 161%, in the case of an ADC bundle in Mixed ADC container. The increases are quite steep for Outside County newspaper mailers.

What is most notable, however, is that the container prices continue to be identical for flats trays (tubs) as for sacks.

More than a decade has now elapsed since the Commission first suggested that Periodicals rate structure might be improved if the Postal Service implemented a charge for containers and bundles. Complaint of Time Warner et al Concerning Periodicals Rates, C2004-1, Appendix C at 2.

In the following cost-of-service omnibus rate case, the Postal Service reported it was actively seeking alternatives to the use of sacks for flat mail and that among the alternatives was the use of flats trays. Direct Testimony of Marc D. McCrery on Behalf of the United States Postal Service, T-29, April 8, 2005, at 23. In 2006, the Commission followed up on the Time Warner complaint by recommending a charge on Periodicals containers and bundles at a 40 percent passthrough rate. Opinion and Recommended Decision. Postal Rate and Fee Changes, R2006-1 at 348-49. It noted the nascent development of flats trays for small-volume Periodicals, but disagreed with

the Postal Service's insistence that flats trays should receive the same charge as Periodicals sacks. The Commission said:

Imposition of the container charge defies logic. Some of the mailings that are the target of this charge are not presented to the Postal Service in Sacks because, pursuant to authorization, they are using a more efficient and more appropriate practice. An exchange between Postal Service witness McCrery and NNA counsel Rush drives this point home. In response to counsel Rush's inquiry about the existence of a program allowing certain small-volume mailings to be presented without being sacked, witness McCrery confirms that the Service began such a program in 2004. Tr.211/3275. Then, in response to counsel's request for an explanation of the benefit to the Service of presenting mailings this way, [deleted duplication] as opposed to bringing the same amount of mail into the delivery office in a sack, McCrery states, after explaining how bundles are entered into mail processing "...The sack itself doesn't provide tremendous additional value in that regard where you may have one or two carrier route bundles. They may end up doing more damage than goodSo to provide the flexibility for a customer not to deal with the sacks and in recognition of the limited value that they really have, we wanted to provide that option, in large part for newspapers, to give them flexibility to enter without that sackOpinion at 326-327.

The evidence seems clear that application of the Service's container charge to the mailings in question is inappropriate. It would incent mailers to combine mail for multiple destinations into a single container, making processing slower and more expensive. Id.

Yet the container charge was applied by the Postal Service at the same level as the charge for sacks. And thus it has remained ever since.

NNA respectfully requests the Commission attention to this inequity and asks for a series of questions to the Postal Service to explore the propriety of applying the sack charge to flats trays.

1. Has the use of flats trays for small-volume Periodicals increased since 2006?
2. What percentage of containers in the Periodicals mailstream comprises flats trays?
3. Please describe the nature of mailings in which the Postal Service permits the use of flats trays.

4. Does the Postal Service believe it is advantageous to the Service for small volume Periodicals mailers to use flats trays where permitted rather than sacks? Explain why.
5. Please provide any studies of the handling and transportation costs created by Periodicals flats trays done by the Postal Service since 2006 when the Commission found the application of the container fee to flats trays to be inappropriate.
6. Please confirm that flats trays are generally less costly in mail processing and transportation than Periodicals sacks.
7. Please explain the justification for applying the container charge to sacks and flats trays on the same basis as if the costs were the same.
8. Please describe any plans the Postal Service has for designing a more appropriate charge for flats trays.

Respectfully submitted,

Tonda F. Rush
Counsel to National Newspaper Association,
Inc.

CNLC, LLC
PO Box 50301
Arlington, VA 22205
(703) 237-9801