

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Market-Dominant
Price Adjustment

Docket No. R2015-4

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE NOTICE OF
MARKET-DOMINANT PRICE ADJUSTMENT

(February 19, 2015)

On January 20, 2015, the Commission issued a Notice and Order on Rate Adjustments, Classification Changes, and Temporary Promotions for Market Dominant Products,¹ which provided the opportunity to comment on Postal Service's price adjustment proposals.² On February 2, 2015, the Commission modified the filing deadlines for comments; effectively delaying the deadlines for all comments except those concerning First-Class Mail.³ The Public Representative respectfully submits the comments that follow, which address matters other than First-Class Mail.

The Commission has done a commendable job in identifying issues and problems with the Postal Service's filings. This is evident by the necessity to issue twelve Chairman's Information Requests in this docket. The downside to this process has been the difficulty interested persons had in participating given the delay in

¹ Notice and Order on Rate Adjustments, Classification Changes, and Temporary Promotions for Market Dominant Products, January 20, 2015 (Order No. 2327).

² See United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Postal Service Notice).

³ Order Granting, in Part, Motion for Extension of Comment Deadline, February 2, 2015 (Order No. 2340).

developing an accurate record, and the short timeframe allowed for comments (even with the extension granted by Order No. 2340). The Public Representative encourages the Commission to take steps to improve the annual price adjustment process and allow for more meaningful participation by interested persons.

The inclusion of significant classification changes only compounded the problem of reviewing the Postal Service's proposals in the allotted timeframe. For example, the Postal Service proposes a restructuring of Flats Sequencing System prices. It has eliminated pound prices for certain mailings. It has restructured the Certified Mail service. The classification components for each of these proposals could have been considered outside of the instant rate filing. This would have provided a more meaningful opportunity to review each proposal. The Public Representative suggests that the Commission modify its rules to only allow minor classification proposals that have no significant price structure impact to be presented within annual rate adjustment dockets.

After the Postal Service filed its proposed changes to the Mail Classification Schedule (MCS) with its Postal Service Notice, it filed two errata modifying the MCS. Certain responses to Chairman's Information Requests appear to further modify MCS language. It is assumed that the Commission may also further modify the Postal Service's MCS proposals. For transparency and accuracy, the Public Representative encourages the Commission to attach a copy of the decided upon MCS language, including all prices, to its final order in this docket.⁴ Without this attachment, it will be difficult if not impossible for the public to know what prices and classification changes have been approved.

The Public Representative's major concern with the Postal Service's filing is the slide away from efficient component pricing, specifically passthroughs that exceed 100

⁴ The Public Representative has not had sufficient time after receiving all sources and corrections to filed prices and volumes to independently determine the base price for each rate cell and then re-add the exigent surcharge in order to verify the surcharged prices proposed in the Mail Classification Schedule filed by the Postal Service. The Commission should undertake this task in addition to publishing a copy of final Mail Classification Schedule with prices.

percent and passthroughs that are significantly below 100 percent. When efficient component pricing is ignored, incorrect pricing signals are sent to mailers that lead to an inefficient postal system as a whole.

What is more troubling is the Postal Service's reliance on the exceptions of 39 U.S.C. § 3622(e) when it chooses not to set passthroughs close to 100 percent. There appears to be one First-Class Mail and seven Standard Mail passthroughs that fit into this category.⁵ In general, the Public Representative suggests that the Commission not approve prices where passthroughs deviate significantly from 100 percent, unless adequately justified. "Adequately justified" means more than a mere recitation to the statutory exceptions, and a statement that passthroughs will be adjusted in some future filing. The Public Representative suggests that justifications include time schedules, and steps that must be taken, to bring passthroughs into compliance.

Adequate justifications have not been provided by the Postal Service in this docket. Thus, at a minimum, the non-compliant First-Class Mail and Standard Mail prices should be returned to the Postal Service for further adjustment.

Respectfully submitted,

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⁵ The Public Representative is less concerned with excessive passthroughs that fall within the ECSI exception.