

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

Notice of Market Dominant
Price Adjustment

Docket No. R2015-4

CHAIRMAN'S INFORMATION REQUEST NO. 13

(Issued February 20, 2015)

To clarify the issues raised by the Postal Service's Notice of Market Dominant Price Adjustment in Docket No. R2015-4,¹ the Postal Service is requested to provide a written response to the following request. Answers to the request should be provided as soon as they are developed, but no later than February 23, 2015.

Standard Mail Workshare Discounts

1. The discounts proposed in Docket No. R2015-4 for the following Parcels workshare categories reflect an increase compared with the corresponding discounts in Docket No. R2013-10 and exceed avoided costs.

- NDC Irregular Parcels pound-rated piece (\$0.367 versus \$0.334)
- NDC Irregular Parcels piece-rated piece (\$0.344 versus \$0.334)
- NDC Marketing Parcels pound-rate piece (\$0.442 versus \$0.401)

The Postal Service states that these proposed discounts are justified pursuant to the rate shock exception (39 U.S.C. § 3622(e)(2)(B)) because it has already increased Parcels prices by approximately 10.0 percent and that increasing Parcels prices further to align these discounts with their avoided costs would cause rate shock. Response to CHIR No. 2, question 8. Please confirm that

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Notice).

keeping the discounts at their Docket No. R2013-10 amounts will allow the Postal Service to comply with 39 U.S.C. § 3622(d)(1)(A). If not confirmed, please explain why increasing these three workshare discounts (compared to their Docket No. R2013-10 discounts) is necessary to mitigate rate shock.

2. The Postal Service proposes to increase the discount for Nonautomation AADC Machinable Letters from \$0.018 (Docket No. R2013-10) to \$0.020 (Docket No. R2015-4), increasing the passthrough from 112.5 percent (Docket No. R2013-10) to 125.0 percent (Docket No. R2015-4). The Postal Service states that the increase in the passthrough percentage is justified by 39 U.S.C. § 3622(e)(2)(B) (rate shock) because it would cause significant price increases to other downstream price categories. Notice at 47; Response to CHIR No. 2, question 4.
 - a. Please explain why increasing the Nonautomation AADC Machinable Letters discount from \$0.018 to \$0.020 is necessary in order to prevent price increases to the downstream Nonautomation price categories.
 - b. Please confirm that the Postal Service could set its proposed Nonautomation Mixed AADC Machinable origin entry at the Docket No. R2013-10 level without affecting the proposed prices for the remaining Nonautomation Machinable category and the Nonautomation Nonmachinable categories. If not confirmed, please explain.

Periodicals

3. 39 C.F.R. § 3010.12(b)(4) states “[i]f new unused rate adjustment authority will be generated for a class of mail that is not expected to cover its attributable costs, the Postal Service must provide the rationale underlying this rate adjustment.” The Commission adopted this language in Order No. 43.² In that

² Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007 (Order No. 43).

order, the Commission stated it “anticipates that the Postal Service will make every effort to ensure that classes of mail recover their attributable costs including, if necessary, using its full authority to increase rates under the cap. The final rule allows the Postal Service to provide an explanation should it somehow not be possible to do so.” *Id.* at 43-44.

- a. Please confirm that the Periodicals class is not expected to cover its attributable cost in FY 2015. If not confirmed, please explain.
- b. Please confirm that 0.626 percent of unused Periodicals class pricing authority will be generated by the price adjustment proposed by the Postal Service in Docket No. R2015-4.
- c. Please explain why the Postal Service does not plan to use its full pricing authority for Periodicals in Docket No. R2015-4.
- d. Please provide the rationale for generating unused pricing authority for the Periodicals class in Docket No. R2015-4, in accordance with 39 C.F.R. § 3010.12(b)(4).

By the Acting Chairman.

Robert G. Taub