

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

Before Commissioners:

Robert G. Taub, Acting Chairman;
Tony Hammond, Vice Chairman;
Mark Acton;
Ruth Y. Goldway; and
Nanci E. Langley

Notice of Market-Dominant
Price Adjustment

Docket No. R2015-4

NOTICE AND ORDER ON AMENDED RATE ADJUSTMENTS
AND CLASSIFICATION CHANGES FOR STANDARD MAIL, PERIODICALS, AND
PACKAGE SERVICES PRODUCTS

(Issued April 17, 2015)

I. INTRODUCTION

In Order No. 2398, the Commission remanded the Postal Service's planned rates for Standard Mail, Periodicals, and Package Services for non-compliance with certain legal requirements.¹ On April 16, 2015, the Postal Service filed a Response to Order No. 2398 with revised Standard Mail and Periodicals prices, updated Mail Classification (MCS) pages, updated workshare discount tables, updated exigent surcharges affected by the revised prices, and revised price cap calculation workpapers for Standard Mail,

¹ Order on Amended Price Adjustments for Standard Mail, Periodicals, and Package Services Products, March 18, 2015 (Order No. 2398).

Periodicals, and Package Services.² The revised prices are scheduled to go into effect on May 31, 2015.³

II. BACKGROUND

On January 15, 2015, the Postal Service filed notice of a market dominant price adjustment, proposing price adjustments for all five classes of market dominant mail and associated mail classification changes. Notice at 1. In Order Nos. 2365 and 2388, the Commission approved the proposed price adjustments and mail classification changes for the First-Class Mail and Special Services classes respectively.⁴ In Order No. 2378, the Commission remanded the proposed price adjustments for the Standard Mail, Periodicals, and Package Services classes for failure to comply with certain legal requirements.⁵

On March 12, 2015, the Postal Service filed its response to Order No. 2378.⁶ The Postal Service stated that it complied with each of the Commission's directives and recommendations from Order No. 2378 and included revised Standard Mail and Periodicals prices, updated Mail Classification (MCS) pages, updated workshare

² Response of the United States Postal Service to Order No. 2398, April 16, 2015, at 2 (Response to Order No. 2398).

³ *Id.* at 3. The Postal Service initially intended to implement the market dominant price adjustments on April 26, 2015. United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Notice). On March 31, 2015, the Postal Service announced that it was delaying the implementation of the proposed price adjustments. Docket Nos. R2015-4 and CP2015-33, Notice of the United States Postal Service of Delayed Implementation of First-Class Mail, Special Services, and Competitive Prices, March 31, 2015. As a result, the Commission amended its orders approving the First-Class Mail and Special Services price adjustments to account for the delay. Order No. 2426, Order Amending Order Nos. 2365 and 2388, April 7, 2015. The Postal Service now plans to implement all price adjustments on May 31, 2015. Response to Order No. 2398 at 3. The Postal Service states that it plans to make an exception for the Earned Value Reply Mail promotion, which it plans to begin on May 1, 2015, as initially planned. *Id.*

⁴ Order No. 2365, Order on Price Adjustments for First-Class Products and Related Mail Classification Changes, February 24, 2015; Order No. 2388, Order on Price Adjustments for Special Services Products and Related Mail Classification Changes, March 10, 2015.

⁵ Order on Price Adjustments for Standard Mail, Periodicals, and Package Services Products, March 6, 2015 (Order No. 2378).

⁶ Response of the United States Postal Service to Order No. 2378, March 12, 2015.

discount tables, updated exigent surcharges affected by the revised prices, and revised price cap calculation workpapers for Standard Mail, Periodicals, and Package Services with its response. *Id.* at 1-2.

On March 18, 2015, the Commission issued Order No. 2398 and found that the Postal Service had not fully complied with applicable statutory and regulatory requirements and Order No. 2378. Order No. 2398 at 2. As a result, the Commission remanded the revised price adjustments for the Standard Mail, Periodicals, and Package Services classes for further revision, correction, and clarification. *Id.* The Commission explained that after the Postal Service files an amended notice of rate adjustment addressing the deficiencies described in Order No. 2398, the Commission would allow seven days for public comment in accordance with 39 CFR 3010.11(g). *Id.*

III. ORDER NO. 2398 AND THE POSTAL SERVICE'S RESPONSE

Standard Mail. In Order No. 2398, the Commission found that the Postal Service did not equalize all nonprofit and commercial discounts as it was ordered to in Order No. 2378. Order No. 2398 at 3-5.⁷ In addition, the Commission required the Postal Service to provide the calculations used to develop the exigent surcharges for each new Standard Mail Flats Sequencing System (FSS) category to assist the Commission in verifying the calculated exigent surcharges. Order No. 2398 at 4-5.

In response to Order No. 2398, the Postal Service states that it has equalized all nonprofit and commercial discounts. Response to Order No. 2398 at 4. The Postal Service explains that it also adjusted other discount relationships that were out of alignment in its prior filings. *Id.* at 4-5. It also states that it has corrected 12 exigent surcharges and provided the calculations used to develop the exigent surcharges for each Standard Mail FSS price category. *Id.* at 6.

Periodicals. In Order No. 2398, the Commission ordered the Postal Service to provide a revised price cap calculation that addressed the deficiencies identified by the

⁷ See also Order No. 2378 at 8-9.

Commission. Order No. 2398 at 6-7. In addition, the Commission found the Postal Service must demonstrate compliance with 39 CFR 3010.12(b)(4). *Id.* at 7.

In response to Order No. 2398, the Postal Service proposes a revised set of Periodicals prices and a revised price cap calculation that address the Commission's directives. Response to Order No. 2398 at 7. The Postal Service explains that it has made some adjustments to the Commission's suggested approach, corrected additional errors it has identified, and increased the discount provided by the per-piece editorial adjustment for Outside County Periodicals. *Id.* at 8-9. The Postal Service states that the revised price adjustments result in a total percentage price increase of 1.966 percent for the Periodicals class, which uses all of its price adjustment authority for the class. *Id.* at 9.

Package Services. In Order No. 2398, the Commission found that it was unable to make the finding required under 39 U.S.C. 3622 and 39 CFR 3010.11 due to inaccurate billing determinant adjustments and data inconsistencies. Order No. 2398 at 9-11. The Commission identified specific information the Postal Service must provide in its response to show the deficiencies had been corrected. *Id.* at 11.

In response to Order No. 2398, the Postal Service states that it has provided the information required by the Commission in Order No. 2398. Response to Order No. 2398 at 10-23. In addition, the Postal Service files revised price cap calculation workpapers, which it represents correct the issues previously identified by the Commission. *Id.* at 24.

IV. NOTICE OF COMMISSION ACTION

In accordance with 39 U.S.C. 3622 and 39 CFR part 3010, the Commission will review the Postal Service's amended price adjustments in Docket No. R2015-4. The Commission invites comments from interested persons on whether the price adjustments, as amended in the Response to Order No. 2378 and Response to Order No. 2398, are consistent with 39 U.S.C. 3622 and the requirements of 39 CFR part

3010. Comments are due no later than April 23, 2015. 39 CFR 3010.11(g). The Postal Service's filing can be accessed via the Commission's website (<http://www.prc.gov>).

Pursuant to 39 U.S.C. 505, James Waclawski will continue to serve as an officer of the Commission (Public Representative) representing the interests of the general public in this proceeding.⁸

V. ORDERING PARAGRAPHS

It is ordered:

1. Comments on the revised planned price adjustments and related classification changes for Standard Mail, Periodicals, and Package Services are due no later than April 23, 2015.
2. Pursuant to 39 U.S.C. 505, James Waclawski will continue to serve as an officer of the Commission (Public Representative) representing the interests of the general public in this proceeding.
3. The Commission directs the Secretary of the Commission to arrange for prompt publication of this notice in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary

⁸ See Order No. 2327, Notice and Order on Rate Adjustments, Classification Changes, and Temporary Promotions for Market Dominant Products, January 20, 2015, at 5.