

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

ORDER ON FIRST-CLASS MAIL PROMOTIONS  
AND RELATED MAIL CLASSIFICATION SCHEDULE CHANGES

(Issued April 30, 2015)

I. INTRODUCTION

On February 24, 2015, the Commission approved the Postal Service's proposed price adjustments and mail classification changes for First-Class Mail, with a planned implementation date of April 26, 2015.<sup>1</sup> However, on March 31, 2015, the Postal Service announced that it was delaying the implementation of the proposed price adjustments, including those for First-Class Mail.<sup>2</sup> Accordingly, the Commission

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<sup>1</sup> Order on Price Adjustments for First-Class Mail Products and Related Mail Classification Changes, February 24, 2015 (Order No. 2365).

<sup>2</sup> 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 (Notice of Delayed Implementation).

amended its order approving the First-Class Mail price adjustments to account for the delay.<sup>3</sup> The Postal Service now plans for all price adjustments to be implemented on May 31, 2015, except for the Earned Value Reply Mail Promotion, which it plans to begin on May 1, 2015.<sup>4</sup>

## II. BACKGROUND

*Procedural history.* 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.<sup>5</sup> The Postal Service initially intended to implement the market dominant price adjustments on April 26, 2015. Notice at 1. In Order No. 2365, the Commission approved the proposed price adjustments and mail classification changes for First-Class Mail.

On March 31, 2015, the Postal Service announced that it was delaying the implementation of the proposed price adjustments, including those for First-Class Mail. Notice of Delayed Implementation at 2. As a result, the Commission amended its order approving the First-Class Mail price adjustments to account for the delay. Order No. 2426 at 2. Specifically, the Commission suspended the previously-approved revisions to the Mail Classification Schedule (MCS) arising from Order No. 2365 until the revised implementation date. *Id.*

The Postal Service now plans for all price adjustments to be implemented on May 31, 2015, except for the Earned Value Reply Mail Promotion, which it plans to begin on May 1, 2015. Response to Order No. 2398 at 3.

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<sup>3</sup> Order No. 2426, Order Amending Order Nos. 2365 and 2388, April 7, 2015.

<sup>4</sup> Response of the United States Postal Service to Order No. 2398, April 16, 2015, at 3 (Response to Order No. 2398).

<sup>5</sup> United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015, at 1 (Notice).

*Supplemental information.* The Chairman issued, and the Postal Service responded to, an information request seeking clarification of the Postal Service's planned implementation of the Earned Value Reply Mail Promotion.<sup>6</sup>

*Comments.* The Commission received no comments on the planned changes related to First-Class Mail.

### III. PROMOTIONS

*Earned Value Reply Mail Promotion.* The Earned Value Reply Mail Promotion provides a per-piece rebate on Business Reply Mail and Courtesy Reply Mail pieces that are returned to the registered customer during the promotional period. Notice, Attachment D at 2. Mailers who participated in the 2014 Earned Value Reply Mail Promotion and whose total Business Reply Mail and Courtesy Reply Mail volume increases in 2015 will receive a 3-cent rebate per piece. *Id.* Other mailers will receive a 2-cent rebate per piece. *Id.* The rebate will be calculated at the end of the promotional period and will be applied to the mailer's imprint account. *Id.*

The Postal Service states that it plans to run the Earned Value Reply Mail Promotion from May 1, 2015, through July 31, 2015 (*i.e.*, as initially planned in its Notice filed January 15, 2015). See Response to Order No. 2398 at 3. Postage credits earned by mailers cannot be redeemed to pay for First-Class Mail until August 1, 2015, at the earliest. *Id.*; see also Notice, Attachment D at 2-3. In addition, the postage credits cannot be redeemed to pay for postage for Standard Mail mailings until the Standard Mail prices and classification changes are approved by the Commission. See Responses to CHIR No. 17, question 2.

The Commission concludes that the previously-approved Earned Value Reply Mail promotion with respect to First-Class Mail may be implemented on May 1, 2015.

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<sup>6</sup> Chairman's Information Request No. 17, April 22, 2015 (CHIR No. 17); Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 17, April 24, 2015 (Responses to CHIR No. 17).

See Order No. 2365 at 10-11. However, the Commission notes that when it approved Order No. 2365, all First-Class Mail price adjustments and classification changes were expected to have the same implementation date. The rules governing the Commission's review of price adjustments do not contemplate staggering the implementation dates of price adjustments after the Postal Service has proposed and the Commission has approved a singular implementation date for a class of mail. See, e.g., 39 C.F.R. § 3010.10(a)(1). In market dominant rate cases, the price cap calculation contains an assumption that all rate changes for a class are implemented at the same time.<sup>7</sup> Staggering the implementation dates of prices within a mail class could impact the Commission's evaluation of whether the planned prices violate the price cap under 39 U.S.C. § 3622(d).<sup>8</sup> For example, a promotion may provide a percentage discount off of the price of an eligible piece. If such a promotion is implemented before the other price changes in the class, it could affect the price cap calculations because the total value of the discounts is based on the underlying price of the eligible pieces.

The instant request represents a unique circumstance because the request does not have price cap implications.<sup>9</sup> The rebate for the Earned Value Reply Mail Promotion is a fixed amount of either 2 cents or 3 cents. The promotion also has the same duration as initially proposed by the Postal Service and approved by the Commission in Order No. 2365. Although the Docket No. R2013-11 prices will still be in effect for the first month of the promotion, there is no impact on the percentage price change for the class because the rebate to participating mailers is not dependent on the underlying

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<sup>7</sup> The implementation date of a price change for a given class of mail does not necessarily coincide with the effective date of a particular price. For example, price changes for First-Class Mail may be implemented on May 31, 2015, but a particular promotional price may be effective from June 1, 2015, to November 30, 2015.

<sup>8</sup> The temporary nature of promotional prices are taken into account in the price cap calculation by adjusting the weighting of temporary prices based on the planned effective dates.

<sup>9</sup> The Commission also notes that the delayed implementation date and the resulting staggered implementation dates for First-Class Mail resulted from complications unique to this proceeding. As such, the Commission does not anticipate staggered implementation dates to be the normal in future proceedings.

price of the eligible pieces. Because the proposed change has no price cap implication, the Commission approves implementing the Earned Value Reply Mail Promotion beginning on May 1, 2015.

*Advanced and Emerging Technology Promotion.* The Advanced and Emerging Technology Promotion provides a 2 percent discount on First-Class Presort and Automation Letters, Cards, and Flats that incorporate advanced print technology such as innovations in paper and ink, the use of standard NFC (near field communication) technology or an “advanced” or “enhanced” augmented reality experience allowing the recipient to engage in an interactive experience. Notice at 3.

The Postal Service proposes to delay the Advanced and Emerging Technology Promotion by one month, so that it runs from June 1 to November 30, 2015. Response to Order No. 2398 at 3 n.8. The change to the effective date of the Advanced and Emerging Technology Promotion has no price cap implication. Although the discount for this promotion depends on the underlying price, the prices in effect during the new promotion period are the same as those for the original promotion period. Therefore, the Commission concludes that the previously-approved Advanced and Emerging Technology Promotion may become effective on June 1, 2015. See Order No. 2365 at 10-11.

#### IV. MCS CHANGES

The Commission finds that the previously-approved changes to the MCS in Order No. 2365, as amended by the attached changes to the MCS (related to the Advanced and Emerging Technology Promotion), may be implemented, as planned. As such, changes to the MCS pertaining to the Earned Value Reply Mail Promotion are effective May 1, 2015. The other proposed price adjustments for First-Class Mail and associated mail classification changes are effective May 31, 2015.

V. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission finds that the changes to the Mail Classification Schedule approved in Order No. 2365 may take effect as described in the body of this Order.
2. Further revisions to the Mail Classification Schedule appear below the signature of this Order and are effective May 31, 2015.

By the Commission.

Shoshana M. Grove  
Secretary

## CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

### **Part A—Market Dominant Products**

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#### **1100 First-Class Mail**

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#### **1110 Presorted Letters/Postcards**

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#### 1110.4 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

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- Advanced and Emerging Technology Promotion (June 1, 2015 to November 30, 2015)

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#### 1110.5 Prices

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Advanced and Emerging Technology Promotion (June 1, 2015 to November 30, 2015)

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**1115**      **Flats**  
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1115.5      Prices

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Advanced and Emerging Technology Promotion (June 1, 2015 to November 30, 2015)

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