

ORDER NO. 209

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

Before Commissioners:

Dan G. Blair, Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Tony L. Hammond

Notice of Price Adjustment

Docket No. R2009-3

NOTICE AND ORDER CONCERNING  
STANDARD MAIL VOLUME INCENTIVE PRICING PROGRAM

(Issued May 4, 2009)

I. OVERVIEW

On May 1, 2009, the Postal Service filed with the Commission a notice announcing its intention to adjust prices for Standard Mail letters and flats pursuant to 39 U.S.C. 3622 and 39 CFR Part 3010.<sup>1</sup> The proposed adjustment is in the form of a “Standard Mail Volume Incentive Pricing Program” (also known as the Summer Sale program) with a planned implementation date of July 1, 2009 and a planned expiration date of September 30, 2009. This proposal represents an innovative approach by the Postal Service to utilize greater pricing flexibility for market dominant products under the Postal Accountability and Enhancement Act (PAEA), Public Law 109-435, 120 Stat. 3218 (2006).

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<sup>1</sup> United States Postal Service Notice of Market-Dominant Price Adjustment, May 1, 2009 (Notice).

## II. POSTAL SERVICE FILING

*Summer Sale Program.* The proposed Summer Sale program will provide a 30 percent rebate to eligible mailers on Standard Mail letters and flats volumes above a mailer specific threshold. *Id.* at 3. The threshold is calculated based on the percentage change between the mailer's volume during the current fiscal year (through March 2009) and the volume for the same period last year (trend), and applying that percentage to the volume mailed during the summer months the previous year (July 1, 2008 and September 30, 2008). *Id.* at 3-4. To discourage mailers from shifting planned October 2009 mailings into the Summer Sale program, the Postal Service will measure each mailer's October 2009 volume against the prior year's volume for that month and reduce the rebate if the mailer is found to have mailed less in October 2009. *Id.* at 4.

Eligibility for the Summer Sale program is limited to mailers who are permit holders, *i.e.*, owners of a permit imprint advance deposit account and who have a demonstrable volume of at least 1 million Standard Mail letters and flats between October 1, 2007 and March 31, 2008 for one or more permit imprint advance deposit accounts, precanceled stamp permits, or postage meter permits. *Id.* at 4. Mail service providers are not eligible for the program due to the significant administrative cost to the Postal Service. *Id.* at 5. However, applicants may qualify for the program with volume mailed through an account owned by a mail service provider if the applicant can adequately demonstrate that it is the owner of the mail. *Id.* at 4.

In support of the proposal, the Postal Service notes that the economy has adversely affected many postal customers, resulting in a precipitous decline in Standard Mail volume. *Id.* at 2. The Postal Service believes the Summer Sale program may help its customers increase use of Standard Mail during what is typically a low volume period for Standard Mail. *Id.* at 2-3. The Postal Service also believes it will receive intangible benefits from the proposed program, including learning information which may improve postal data systems, gathering feedback from customers which may help fine tune future programs, and improving customer relations. *Id.* at 3.

*Conformance with 39 CFR 3010.* The Postal Service's proposed schedule of prices appears in Appendix A, attached to the Notice. *Id.* at 1. It also represents, in conformance with the notice requirements of 39 CFR 3010.14(a)(3), that it will issue public notice of the price changes at least 45 days before the effective date via several additional means, including issuing notice of the price changes on the Postal Service's website (<http://www.usps.com>), the Postal Explorer website (<http://www.pe.usps.com>), the *DMM [Domestic Mail Manual] Advisory*, and the *P&C [Producers and Consumers] Weekly*, and a press release announcing the changes. The Postal Service also states that it plans to provide public notice of the price changes in future issues of the *PCC [Postal Customer Council] Insider*, *MailPro*, the *Postal Bulletin*, and the *Federal Register*. *Id.* at 1-2. The Postal Service identifies Greg Dawson, Manager, Pricing Strategy, as the official available to provide prompt responses to requests for clarification from the Commission.

*Impact on the Price Cap.* The Postal Service proposes to treat the program, for purposes of the price cap, as if it were a negotiated service agreement subject to 39 CFR 3010.24. *Id.* at 8. The Postal Service signals its intent to ignore the net price decrease resulting from the program, and for purposes of the price cap, calculate revenues for the volumes as though they paid the appropriate non-discounted rates. *Id.* at 8; 39 CFR 3010.24(a). Therefore, the Postal Service makes no calculation of cap or price changes as described in 39 CFR 3010.14(b)(1) through (4). Notice at 8.

*Objectives and Factors, Workshare Discounts, and Preferred Rates.* The Postal Service lists the relevant objectives and factors of 39 U.S.C. 3622, and claims that the program supports several factors and is unlikely to impact the ability of Standard Mail (as a class) to cover its costs. *Id.* at 8-13. The Postal Service also asserts that, to the extent it affects workshare discounts, the program will shrink them, keeping discounts with a passthrough of 100 percent or less in compliance, and bringing passthroughs over 100 percent closer to compliance. *Id.* at 13. The Postal Service also indicates that Standard Mail letters and flats entered at nonprofit prices will be eligible for the same

rebate, and since the rebate is a fixed percentage, the 60 percent differential between regular and nonprofit prices will remain unchanged. *Id.*

*Mail Classification Schedule (MCS) Language.* The Postal Service addresses 39 CFR 3010.14(b)(9) in Appendix A of its Notice. *Id.* at 1. This rule requires that the notice include all the changes to the product descriptions within the MCS that are necessitated by the planned price adjustments. These changes are presented based on draft MCS language being developed by the Commission in cooperation with the Postal Service. The draft MCS will be the subject of a future rulemaking, which will include the opportunity for public comment. The Postal Service provides the proposed MCS revisions in Appendix A.

### III. COMMISSION ACTION

The Commission establishes Docket No. R2009-3 to consider all matters related to the Notice as required by 39 U.S.C. 3622. The Commission's rules provide for a 20 day comment period starting from the date of the filing of the Notice. See 39 CFR 3010.13(a)(5). Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3622 and 39 CFR Part 3010. Comments are due no later than May 21, 2009.

The Commission appoints Richard A. Oliver and Kenneth R. Moeller to represent the interests of the general public in this proceeding. See 39 U.S.C. 505. Pursuant to rule 3010.13(c), the Commission will issue its determination in this proceeding by June 4, 2009.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. R2009-3 to consider matters raised by the Postal Service's May 1, 2009 filing.
2. Interested persons may submit comments on the planned price adjustments. Comments are due May 21, 2009.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Richard A. Oliver and Kenneth R. Moeller to represent the interests of the general public in this proceeding.
4. The Commission directs the Secretary of the Commission to arrange for prompt publication of this Notice in the *Federal Register*.

By the Commission.

Steven W. Williams  
Secretary