

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT

Docket No. R2013-10

**RESPONSE OF THE NATIONAL POSTAL POLICY COUNCIL,
THE MAJOR MAILERS ASSOCIATION,
THE NATIONAL ASSOCIATION OF PRESORT MAILERS, AND
THE ASSOCIATION FOR MAIL ELECTRONIC ENHANCEMENT IN
OPPOSITION TO MOTION OF AMERICAN POSTAL WORKERS UNION
(October 28, 2013)**

The National Postal Policy Council, the Major Mailers Association, the National Association of Presort Mailers, and the Association for Mail Electronic Enhancement (“Joint Commenters”) hereby respectfully submit this response in opposition to the motion of the American Postal Workers Union, AFL-CIO (“APWU”)¹ for further proceedings to consider alleged issues concerning the First-Class Single Piece Metered Mail price established by the Postal Service in this proceeding.²

The Joint Commenters file this brief response to emphasize several points raised by Pitney Bowes in its Response to the APWU Motion filed on October

¹ See Motion of the American Postal Workers Union, AFL-CIO For Acceptance of its Initial Comments and to Establish a Schedule to Consider the Use of a New Separate Metered Mail Price in Setting Workshare Discounts for First-Class Mail (Oct. 21, 2013)(APWU Motion). The Joint Commenters do not oppose APWU’s request for late acceptance of its initial comments.

² *United States Postal Service Notice of Market-Dominant Price Adjustment*, Docket No. R2013-1 (September 26, 2013) (“USPS Notice”).

25.³ Pitney Bowes correctly observed that APWU's allegation that the metered mail price violates 39 U.S.C. § 3622(e) is misplaced because:

The metered mail price is not a workshare discount. Rather, it is an appropriate use of the Postal Service's pricing flexibility to encourage small and mid-sized businesses to stay in the mail and to use the mail in new ways to grow their businesses.

PB Response at 1. Furthermore, it is a logical and necessary corollary to the Commission's decision to revise the benchmark for measuring the costs avoided by Presort letters to metered mail.

Under the Postal Accountability and Enhancement Act (PAEA) and the Commission's interpretation of 39 U.S.C. § 3622(e)(1) the term "workshare discount" has a specific meaning that does not include the proposed metered mail price. As noted by Pitney Bowes:

The metered mail price is not a discount for presorting, prebarcoding, handling, or transportation. The metered mail price is also not a discount for an activity that is "integral" to presorting, prebarcoding, handling or transportation. Accordingly, the metered mail price is not a workshare discount and, thus, the alleged violations of section 3622(e) are inapposite.

PB Response at 2. The Joint Commenters agree.

The Joint Commenters also agree that if the metered mail price were viewed as a workshare discount it would be justified under 39 U.S.C. § 3622(e)(2)(A)(ii) as necessary to induce mailer behavior that furthers the economically efficient operation of the Postal Service. As noted in the Joint

³ See Response of Pitney Bowes Inc. in Opposition to the Motion of the American Postal Workers Union, AFL-CIO to Establish a Separate Proceeding to Consider the Metered Mail Price (Oct. 25, 2013)(PB Response).

Commenters prior comments, the metered mail price is a welcome recognition of the benefits accruing to the Postal Service for mail prepared in that manner.⁴

A central objective of the PAEA was to give the Postal Service pricing flexibility under the price cap. As we stated in our initial comments, establishing a new Metered Mail price category is a commendable use of the Postal Service's pricing flexibility.⁵ It provides a policy-based rate differential that provides an incentive for smaller businesses and other mailers to use metered mail within the Single Piece product, and also allows the Postal Service to price First-Class Presort letters – its most profitable product -- in ways that encourage retention and growth.

Furthermore, earlier this year the Commission selected metered mail as the benchmark for calculating workshare-related cost differences in order to set the discount for Mixed AADC Presort letters. It is perfectly reasonable, appropriate, and within the Postal Service's authority to establish a corresponding price for Single-Piece metered mail.⁶

The Commission has previously recognized that there is no legal impediment to the "Postal Service exercising its pricing flexibility by setting the rate for the metered mail Base Group at a different level than the remainder of

⁴ Comments of the National Postal Policy Council, Major Mailers Association, National Association of Presort Mailers, Association for Mail Electronic Enhancement, at 6 (Oct. 16, 2013).

⁵ *Id.*

⁶ See, e.g., Comments of the National Postal Policy Council, Docket No. R2013-1, at 4-5 (Nov. 1, 2012).

single-piece First-Class letters.”⁷ Indeed, using the metered mail price as the base rate for measuring workshare discounts is both logical and promotes a simple, understandable rate design. The Joint Commenters agree with Pitney Bowes that there is no reason to delay the implementation of the metered mail price to address APWU’s concerns regarding the use of the metered mail price as the base rate for measuring workshare discounts:

Order 1320 established metered mail as the new presort benchmark for First-Class Mail letters. Because metered mail is the benchmark for measuring workshare-related costs avoided within First-Class Mail letters, the metered mail price is also the logically consistent and correct benchmark for purposes of measuring the size of the workshare discount. By establishing a separate price at the metered mail benchmark, the Postal Service can measure the workshare-related costs avoided and discounts from the same reference point within First-Class Mail letters.

For the reasons set forth above, the Joint Commenters respectfully request that the Commission deny APWU’s motion to establish a separate

⁷ Order No. 1320, Docket No. RM2010-13, at 11, n.22 (April 20, 2012); *see also Annual Compliance Determination, Fiscal Year 2009*, at 73 (Mar. 29, 2010) (“It should also be noted that the [former] benchmark for automation mixed AADC presort letters is currently BMM, not single-piece letters. With adequate justification, a separate rate for BMM could be introduced, further increasing the rate design flexibility of the Postal Service”).

proceeding on the metered mail price, and approve the Metered Mail price as noticed by the Postal Service.

Respectfully submitted,

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