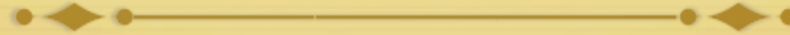




# NATIONAL POSTAL POLICY COUNCIL

Postal Regulatory Report  
William B. Baker  
December 8, 2020

# Market-Dominant Index Case, R2021-1



- ✦ Filed Oct. 9
- ✦ NPPC filed comments Oct. 29
- ✦ PRC approved all rates Nov. 18
- ✦ New rates take effect Jan. 24, 2021

# Competitive Prices



- ✦ Docket No. CP2020-249 holiday shipping season price increase from Oct. 18 to Dec. 27 on Priority Mail Express, Priority Mail, Parcel Select (both Lightweight and non-Lightweight), Parcel Select Ground, Parcel Return Service, and First-Class Package Service
- ✦ International Competitive Products price increases filed Oct. 9, approved Nov. 24
- ✦ General Competitive price increase filed Nov. 16. Largest increases in last-mile parcel delivery services. Comments filed Dec. 2

# Review of Market-Dominant Rate System, RM2017-3



- ✦ Order No. 5763: Adopted new ratemaking system for market-dominant products
- ✦ Major changes:
  - ✦ Density-based rate authority
  - ✦ Retirement-based rate authority
  - ✦ Special rules for non-compensatory products and classes
  - ✦ Workshare discounts
  - ✦ Cost reduction reporting requirements
  - ✦ New procedures for reviewing rate changes
  - ✦ Review in 5 years
- ✦ PRC did not adopt proposed supplemental rate authority for “performance;” will initiate a new rulemaking to consider that further

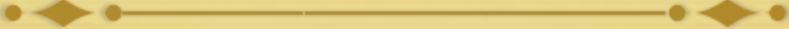
# Appellate Review



- ✦ *NPPC v. PRC* petition for review of Order No. 4257 in U.S. Court of Appeals for the D.C. Circuit
  - ✦ Most recent status update filed October 26, 2020
- ✦ New petitions for review
  - ✦ NPPC
  - ✦ Other mailers
  - ✦ USPS? Unions?
- ✦ All cases will be consolidated
- ✦ Briefing to be scheduled



# Commercial PO Box Redirect Service, MT2020-1



- ✦ Market test of experimental service
- ✦ NPPC filed comments on May 21
  - ✦ Supported test but said proposed pricing is too high
  - ✦ Suggested USPS use market test process to consider alternative pricing approaches
- ✦ PRC approved test on June 3, and suggested USPS work with mailers on the points that mailers had raised
- ✦ Test is ongoing and will expire on June 8, 2022
  - ✦ - USPS reported to PRC 11/17 there is 1 customer so far.

# Market-Dominant Promotions Price Cap Treatment, RM2020-5



- ✦ On May 15, the PRC adopted its proposal to modify its regulations to specify that a rate is not “of general applicability” if eligibility depends on “mailer-specific data, such as historical mailer volume”
- ✦ NPPC had filed comments (3/23) generally opposing basing eligibility on historical volumes. Also said PRC should not discourage USPS from offering creative volume retention incentives that are “generally available”
- ✦ USPS filed petition for review *USPS v. PRC* (D.C. Cir. June 2020)
- ✦ PRC announced non-enforcement of rule and “notice of intent to reconsider” (Aug. 26). USPS and PRC filed joint motion for dismissal and vacatur on Sept. 11
- ✦ PRC intends to issue new FNPRM

# Private Express Statutes, RM2020-4



- ✦ Advance NPRM issued Feb. 7
- ✦ NPPC filed comments jointly w/NAPM on Apr. 7:
  - ✦ Recommended no substantive changes
  - ✦ PES should not be viewed in isolation of related policies
  - ✦ Recommended simplifying definitions, exceptions, suspensions
  - ✦ Urged USPS and PRC to consider product innovations and whether regulatory revisions are needed to accommodate them
- ✦ Proceeding remains pending at PRC (no deadline)



# Postal Monopolies Inquiry, PI2020-1



- ✦ PRC inquiry to consider updating how it calculates the value of the postal monopolies b/c changes to CCCS (Private Express Statutes & Mailbox Rule)
- ✦ NPPC:
  - ✦ supported the monopolies as a means to finance universal service
  - ✦ urged the Commission to consider their qualitative values to mailers and recipients, including security
  - ✦ asked the Commission to affirm that the current methodology does not identify a maximum value.
- ✦ Proceeding remains pending at PRC (no deadline)

# Pending Court Cases on Remand

- ✦ *UPS v. PRC*, 955 F.3d 1038 (D.C. Cir. “appropriate share”) remanded to PRC June 8; PRC yet to act

# Other Rate/Classification Activity of Interest



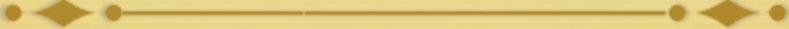
- ✦ MC2020-252: PRC denied USPS request to establish International Competitive Multi-Service Commercial Contracts 1 as a new product due to lack of functional equivalence and standard base financial model
- ✦ MT2020-2: PRC approved USPS market test of Experimental Product-Extended Mail Forwarding. USPS is expanding the test to nationwide beginning Oct. 1

# Other Costing Methodology Proceedings



- ✦ UPS Peak Cost Petition, RM2020-8
  - ✦ Technical conference via WebEx on Sept. 29, 2020
- ✦ RM2020-13: Mail processing variability
  - ✦ Would slightly reduce FC attributable costs
  - ✦ Slight reduction (mostly less than 0.04 cents) in workshare cost avoidance, increasing passthrough %'s
- ✦ RM2021-1: Purchased highway transportation costs
  - ✦ Little effect on FCM rates
  - ✦ Comments due Feb. 26

# Coming Up



- ✦ Annual Compliance Review
- ✦ RM2020-13: Mail processing variability
  - ✦ Would slightly reduce FC attributable costs
  - ✦ Slight reduction (mostly less than 0.04 cents) in workshare cost avoidance, increasing passthrough %s
  - ✦ BUT—would make FCM Auto AADC Presort Flats, MM Automation ADC and 5-Digit Flats discounts >100%



Questions?

