

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

Statutory Review of the System
for Regulating Rates and Classes
for Market Dominant Products

Docket No. RM2017-3

**COMMENTS ON
JOINT MOTION TO HOLD PROCEEDINGS IN ABEYANCE,
AND REQUEST FOR OFFICIAL NOTICE, REQUEST FOR ISSUANCE OF
INFORMATION REQUEST, AND
SUGGESTION OF FURTHER STEPS**

(March 30, 2020)

The National Postal Policy Council (“NPPC”), the Major Mailers Association (“MMA”), the National Association of Presort Mailers (“NAPM”), and the Association for Mail Electronic Enhancement (“AMEE”), collectively the “First-Class Business Mailers,” hereby respectfully:

- Submit these comments in support of the Joint Motion To Hold Proceedings In Abeyance,¹
- Request the Commission to take official notice of the enactment of H.R. 748 (the “CARES” Act);
- Request issuance of a Chairman’s Information Request, as described below; and
- Urge the Commission and Postal Service to work with mailers to identify how the Service can best use its pricing flexibility during and after the COVID-19 pandemic to encourage mail recovery and growth.

¹ *Joint Motion To Hold Proceedings In Abeyance*, Docket No. RM2017-3 (Mar. 23, 2020) (“*Joint Motion*”).

I. THIS PROCEEDING SHOULD BE HELD IN ABEYANCE UNTIL THE PANDEMIC SUBSIDIES

The *Joint Motion*, filed by a number of mailer organizations, urges the Commission to hold this proceeding in formal abeyance until the current declared national emergency concerning the novel coronavirus (COVID-19) has been rescinded. *Id.* at 1. The *Joint Motion* notes that doing so would allow the Postal Service and the mailing industry to focus on maintaining critical operations and would help to ensure that any order that the Commission may issue herein will reflect the circumstances that prevail after the emergency has ended.

While the undersigned parties support holding this proceeding in abeyance, the period of abeyance should not be tied in any way to a formal rescission of the Presidential Proclamation. Instead, this proceeding should resume only once sufficient time has passed to allow all interested parties to have an opportunity to understand the effect of the COVID-19 emergency on the economy, the mail, and the Postal Service.

II. REQUEST FOR OFFICIAL NOTICE

The Commission should take official notice of the enactment of H.R. 748 (the CARES Act). That legislation, among other matters, increased the Postal Service's borrowing authority by \$10 billion, an amount that should provide it with the ability to maintain substantial liquidity for some time. That fact alone is a substantial change in the factual basis underlying Order No. 4257 and the Commission's subsequent orders and proposals in this proceeding.

III. REQUEST FOR ISSUANCE OF INFORMATION REQUEST

It is essential that the Commission have an understanding of the effects of the COVID-19 emergency on mail volumes. By all accounts, the Postal Service currently is experiencing a substantial decline in volume. The Postal Service reportedly has advised Congress that its volume declines in just the last two weeks of March have been significant, although it has not made any figures public. In a statement released on March 27, the Postal Service stated that “the national decline in economic activity has led to a rapid drop in mail volumes and a significant loss in needed revenues.” It also stated that in a worst case scenario a significant downturn spurred by the pandemic “could result in the Postal Service having insufficient liquidity to continue operations.”

Even before COVID-19 hit the nation, the undersigned and other mailers in previous comments had already expressed great concern about the potentially devastating rate hikes that the proposed density factor could authorize as volumes decline. We reiterate our concerns with even more urgency now. Although we do not know how likely such a worst case scenario is to occur, many of our members have reduced their mailings materially since the pandemic began.

Current volume trends are unquestionably relevant to this proceeding. Two of the most prominent proposals in the recent *Revised NPRM* – the density factor and the retirement funding factor – are formulas for which postal volumes are a key input. Using a conservative estimate of a 15 percent volume decline in all classes over the remainder of the current fiscal year, the proposed density

formula would result in a density authority of more than 5.7 percent alone.² And we suspect the actual decline will be considerably larger, driving that number even more drastically higher. At the least, the Commission should get the most recent available information from the Postal Service before proceeding further.

Accordingly, the Commission should issue an Information Request to the Postal Service to provide an update on mail volumes for February and March 2020, its current forecasts for the remainder of Fiscal Year 2020, and its forecast for Fiscal Year 2021.

IV. FURTHER STEPS

We do not need to explain to this Commission the vital role of the Postal Service in providing communications and essential deliveries throughout the nation, both in urban and rural areas. Nor do we need to remind the Commission of the need to retain volume in the postal system in order to spread its costs among as many pieces as possible.

There is real peril. As volume plummets, unit costs are surely rising, because the Postal Service is unlikely to be reducing costs during the pandemic; if anything, it is incurring more costs to ensure the safety of its employees. This is likely increasing per-unit costs. To reduce unit costs, either the Service must reduce costs (unlikely in the short term), raise rates, or increase volume.

² This also assumes a growth of 1.3 percent in the number of delivery points and that postal costs will hold essentially steady because the Postal Service is unlikely to lay employees off until the permanence of any volume losses is known.

The Postal Service and Commission's reflexive approach to declining per-unit margins in recent years has been to raise rates. But that approach has consistently failed to bring USPS Marketing Mail flats and USPS Marketing Mail Parcels, as well as the entire Periodicals class, to compensatory levels. And the Commission now fears that USPS Marketing Mail Carrier Route is heading in the same direction. *Annual Compliance Determination Report Fiscal Year 2019*, at 51 (Mar. 25, 2020).

Raising rates is certainly not the way to encourage mail to return during and after the pandemic. Indeed, the Commission recognized in the recent ACD that in the in the case of USPS Marketing Mail Flats the Commission acknowledged that the "full solution must come from a combination of revenue increases and cost reductions." *Id.*, at 42. We submit, however, that restoring volume is another possible solution.

We believe that the Commission, Postal Service, mailers, and unions would be well served by using this opportunity to develop strategic and practical ideas about how the Postal Service could use its pricing flexibility to address post-pandemic impacts and encourage mail to return to the system to support the economy and recover.

V. CONCLUSION

Therefore, for the foregoing reasons, the undersigned parties support the Joint Motion to hold this proceeding in abeyance while urging that the abeyance continue until a new normal is visible, to take official notice of the enactment of H.R. 748, for issuance of a Chairman's Information Request as described herein,

and for convening an opportunity for the Postal Service, mailers, postal unions,
and the Commission to consider practical strategies for restoring volume.

Respectfully submitted,

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