

National Postal Policy Council

Postal Regulatory Report
William B. Baker
May 20, 2021



Imminent Rate Increase?

On Mar. 26, USPS stated it expected to file a market-dominant rate increase on or about May 28



Current CPI = **1.244%**



Additional rate authorities : **5.562%**



Plus "banked" authority : **0.012%**



Total potential FCM increase = **6.818%**

NPPC v. PRC (10-year review appeal)



NPPC v. PRC petition for review of Orders 4257 and 5763 in U.S. Court of Appeals for the D.C. Circuit

- 6 mailer groups and USPS petitioned
- All cases are consolidated
- NPPC has intervened to support PRC against USPS



Court denied Mailer petitioners' Motion to Stay but granted request for Expeditious Consideration



Mailers' and USPS's initial briefs were filed April 13, 2021

NPPC v. PRC

Next steps



PRC brief due June 14



Mailer petitioners' intervenor brief due June 28



Reply briefs due July 12



Court to set oral argument after final briefs



Renewed motion for stay?

5-Digit Discount (1/2)



On March 26, USPS applied for waiver of new workshare discount rules to allow it to avoid increasing the amount of the 5-Digit discount



NPPC, Pitney Bowes, and others opposed



PRC denied USPS application for waiver

- PRC order set high standard for waivers of the workshare discount rules



As result, 5-Digit discount should increase to at least 3.5 cents

5-Digit Discount (2/2)



But USPS also has filed request to change the costing methodology that supports the discount

- Could reduce costs avoided to about 3.1 cents
 - That would limit 5-Digit discounts in future
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NPPC filed comments in opposition on May 14

- Pitney Bowes led the opposition
 - USPS case appears fairly weak
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Even if PRC approves, unlikely to affect upcoming rate case unless USPS delays filing of the case

Service Standards/ 10-Year Plan (1/2)



Part of PMG DeJoy's 10-year Strategic Plan requires modifying First-Class Mail service standards

- Only part of the 10-year plan subject to PRC review
- PRC's role is advisory; USPS can ignore PRC's opinion



Standard would become slower for 39% of FCM



Stated goal is to use less air transport and more trucks



Projects loss of 497.9 million FCM pieces (0.95%)

Service Standards/ 10-Year Plan (2/2)



All this for a net income gain of \$174.8 million



This is a formal proceeding with testimony, witnesses, discovery, and hearings



PRC aims to complete within 90 days



NPPC has intervened in the case



PRC likely to issue advisory opinion in July

Annual Compliance Review, ACR2020



NPPC filed reply comments on Feb. 12, 2021, supporting previous comments of NAPM and Pitney Bowes



PRC issued ACD on March 29

**Many PRC
proceedings are
inactive**

Commercial PO Box Redirect Service, MT2020-1



Market test of experimental service



Test is ongoing and will expire on June 8, 2022

- USPS reported to PRC May 7 there are 3 customers so far

Experimental Product- Extended Mail Forwarding, MT2020-2



USPS expanded the test to nationwide beginning Oct. 1



USPS asked for exemption from \$10 million annual revenue limitation on Jan. 29, 2021



PRC granted on Feb. 16, 2021



No subsequent updates

Market-Dominant Promotions Price Cap Treatment, RM2020-5



In May 2020, the PRC decided that a rate is not “of general applicability” if eligibility depends on “mailer-specific data, such as historical mailer volume”



NPPC comments (3/23/20) generally opposed basing eligibility on historical volumes. Also said PRC should not discourage 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, which was granted Dec. 12, 2020



Still awaiting new FNPRM

Private Express Statutes, RM2020-4



Advance NPRM issued Feb. 7, 2020



NPPC filed comments jointly w/NAPM on Apr. 7, 2020:

- 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
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Proceeding remains pending at PRC
(no deadline)

Postal Monopolies Inquiry, PI2020-1



Inquiry re updating how to calculate value of the postal monopolies (Private Express Statutes & Mailbox Rule)



NPPC

- Supported the monopolies as a means to finance universal service
 - Urged Commission to consider qualitative values to mailers and recipients,
 - Asked Commission to affirm that the current methodology does not identify a maximum value
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Proceeding remains pending at PRC
(no deadline)

USO Valuation Methodology, PI2021-1



PRC initiated proceeding to revisit its methodology for estimating the cost of the USPS's universal service obligation



At USPS's request, PRC published details of its USO valuation methodology on Feb. 10, 2021



Next steps unclear

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
- UPS filed motion on April 29, 2021, to restart proceeding
- PRC issued statement that it would act “as soon as practicable”
- Proceeding remains pending at PRC (no deadline)

Other Pending Costing Methodology Proceedings



UPS Peak Cost Petition, RM2020-9

- Technical conference via WebEx on Sept. 29, 2020
 - Comments filed in Dec. 2020
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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
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RM2021-1: Purchased highway transportation costs

- Little effect on FCM rates
- Reply comments filed 3/12/21

Coming Up



RM2021-2 Performance Incentive Mechanism

- ANPRM issued Jan. 15, 2021
- Revisiting “service performance” supplemental authority idea not adopted in 10-year review
- Asks whether new rules needed to promote
 - Financial stability
 - Increased efficiency
 - High quality service standards
- Comment period extended due to 10-Year Strategic Plan. Comments due July 14, 2021; replies August 13



Questions