

# NATIONAL POSTAL POLICY COUNCIL

Postal Regulatory Report

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February 23, 2023

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# Topics



Rates

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Postal Service Reform Act & USPS accounting

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Challenges to new system for rates for market-dominant products

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Service measurement/dashboard

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Other

# I. Rates



USPS Connect  
Local Mail

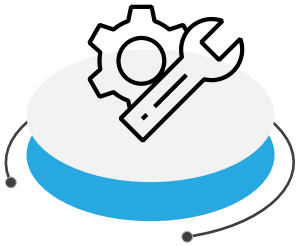


Rate Incentives  
for Market-  
Dominant  
Products



R2023-2 Rate  
Case expected  
in April

# USPS Connect Local Mail, MC2023-12



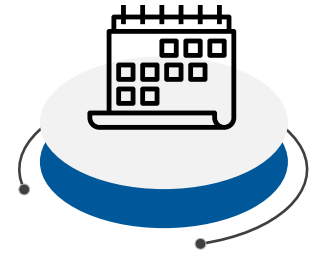
USPS proposed to convert market test into permanent service



NPPC (and separately other mailers) opposed on grounds that requiring use of Click n Ship would unfairly impede competition in postage systems in violation of 39 USC 404a



On Jan. 20, PRC rejected USPS proposal to convert into a permanent offering: (1) it is premature; (2) 404a; (3) unknown effects of S&DCs; (4) no data to assess appropriate pricing



Offering continues as Market Test through Jan. 8, 2024

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



Issue: When can USPS offset promotional discounts by raising other rates?



After two trips to Court of Appeals, PRC waited nearly two years before issuing NPRM on Nov. 14

- Would allow offset when incentive is “rate of general applicability”
- A generally applicable rate incentive cannot be based on past mail volumes or prior mailer participation in an incentive.



NPPC filed comments generally opposing basing eligibility on historical volumes consistent with its position stated in previous comments and encouraged USPS to convert promotions into permanent products



Docket remains pending

# R2023-2 Rate Case?



## Filing expected in April

- CPI estimated = 3.4%
- Banked authority = 0.001%
- Retirement authority = 1.036%
- Density authority = ? (zero to 0.936%)
- Sum for First-Class Mail = 4.437% to 5.373%

## II. Accounting for the PSRA

**USPS August 12 letter regarding one-time \$59.6 Billion non-cash benefit from PSRA said that for regulatory purposes (ACR) it would**

- Ignore the \$57 billion reduction in unpaid RHB premiums, thus showing a loss but also enabling it to accrue density authority
- Treat repeal of FY22 current-year RHB “normal cost” (\$2.150B) and amortization (\$0.5B) payments as eliminating those costs in FY22 (i.e., non-accrued). This will reduce worksharing costs avoided and presumably discounts



PRC letter (Oct. 7) approved first; did not mention second



NPPC and other mailers filed several petitions and motions for reconsideration on procedural and substantive grounds

## PSRA Accounting (con't)

PRC Order No. 6363 (Dec. 9) reversed its approval of the treatment of the \$57 billion but affirmed USPS treatment of RHB NC

NPPC led coalition of mailers in requesting reconsideration on December 19. USPS opposed & mailers replied



# PSRA Accounting (con't)



## Order No. 6430 (Jan. 25)

PRC denied mailers' motion for reconsideration but

Granted mailers alternative relief by issuing NPRM to include RHB normal costs in the ACR and their attribution to products or institutional as usual

Comments filed Feb. 8 (Docket No. RM2023-3)

- NPPC led coalition of 6 mailers
- USPS opposed
- Currently pending

# PSRA Accounting (con't)



Also, USPS, at PRC's invitation, petitioned for rulemaking to allow it to ignore the \$57 billion in its periodic reports (RM2023-2)



Mailers opposed



Why mailers care

- Including the \$57 billion write-off results in negative institutional costs in FY2022
- That means density factor would be zero
- Worth about \$400 million in M-D rates this year alone



USPS also petitioned for judicial review of Order No. 6363. Case is in abeyance pending outcome of RM2023-2

### III. Annual Compliance Review

USPS filed ACR on Dec. 29, 2022

NPPC filed comments on January 31, 2023

- Understatement of costs (RHB NC)
- Misleading w/s cost passthroughs (6 to 7% off)
- Ongoing need to improve w/s passthrough rules
- Service performance not comparable to FY2021
- Urged USPS to convert volume-related promotions into permanent offerings

Pending

## IV. Market-Dominant Rate System



Mailer “second look” petitions



“Stakeholder consultation”



Service Performance Incentive (RM2021-2)

# Mailer “Second Look” Petitions

Two joint petitions filed on April 11

ANM/PostCom (RM2022-5) petition for rulemaking asks PRC to revisit new regulations authorizing above-CPI increases because that PSRA’s erasure of RHB funding requirement eliminates foundation for Order 4257, which empowered PRC to modify system

GCA/AFPA (RM2022-6) ask PRC to vacate Order 5763 and conduct **ab initio** new 10-year review

NPPC has filed its “stakeholder inquiry” comments in both proceedings and referred to these proceedings in the filings on the proposed PAEA accounting

Awaiting Commission action

# Congressionally-ordered PRC review of new M-D rate system



**House of Representatives Report 117-79 language on Consolidated Appropriations Act expressed concern with**

- Size and timing of August 2021 rate increase and
- That 10-year review did not account for effect of Covid on Postal Service, including package revenues and emergency funding



**Stakeholders filed comments by July 31, 2022**



**PRC sent report to Congress on Dec. 9, 2022. Strongly defended its actions adopting the current rate system, including the density factor and the retirement authority**

# Performance Incentive Mechanism, RM2021-2

## ANPRM issued Jan. 15, 2021

- Revisiting “service performance” supplemental authority proposal that PRC did not adopt in 10-year review
- Asks whether new rules needed to promote
  - Financial stability
  - Increased efficiency
  - High quality service standards

**On July 2, 2021, PRC held this proceeding in abeyance during pendency of NPPC v. PRC**

**Still in abeyance**

## V. Service Performance, Measurement & "Dashboard"



**Docket No. RM2022-7 (Service reporting  
& USPS dashboard)**



# RM2022-7 Reporting and Dashboard

Per PSRA, PRC issued NPRM on Sept. 21 that included many suggestions from NPPC's June 3 comments

NPPC filed comments on Oct. 31 generally in support

PRC adopted rules on Order 6439 (Feb. 9) requiring

- Average actual days to delivery & dispersion at District, Postal Administrative Area, and National
- Quarterly & annual reports on mail (& IMb mail) excluded from measurement
- ZIP code lookup on dashboard (down to District data)
- Reporting of Reply Mail service on dashboard

# RM2022-7 Reporting and Dashboard (con't)

## USPS Dashboard

- Should allow user-initiated queries using street address
- Query results exportable in machine-readable format

## Dashboard rules take effect

- 60 days after effective date at M-D product level
- 150 days after effective date at M-D class
- 210 days . . . for Single-Piece Reply Mail
- 300 days for all else

# VI. Costing/Data Proceedings



## RM2022-1: Future Data Collection Priorities

- In Comments filed March 25, 2022, NPPC urged the Commission to research the use of “nominal” instead of “real” (inflation-adjusted) postal rates in USPS demand models
- NPPC expects that using nominal rates would produce a more accurate estimate of price elasticity of demand
- Awaiting Commission action

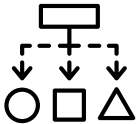
## VII. Other Proceedings



● RM2022-2 "Appropriate Share"



● PI2020-1 Postal Monopolies Inquiry



● PI2021-1 USO Valuation Methodology

# “Appropriate Share” of Institutional Costs From Competitive Products, RM2022-2

UPS v. PRC, 955 F.3d 1038 (D.C. Cir. “appropriate share”) remanded to PRC June 8, 2020

PRC issued 273-page Order No. 6399 on Jan. 9, 2023

- PRC issued Supplemental NPRM and Order on Nov. 18, 2021
    - PRC proposed to retain its “dynamic formula” for setting institutional cost floor for Competitive Products
    - PRC also addressed Court’s statutory interpretation
  - Comments filed Feb. 25; replies filed Mar. 25
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- Affirmed “formula” approach, now at 10% using FY2022 data
  - Addressed remanded issues
  - Not likely to change anything

## 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
- **ChIR issued June 9, 2022, re certain carrier cost details**
- **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

ChIR on June 9 asked about retail and clerk costs

No deadline

## VIII. Coming Up

- PRC ruling in Docket No. RM2023-2 (\$57 billion)
- PRC ruling in Docket No. RM2023-3 (RHB normal costs)
- Annual Compliance Determination for FY 2022
- Calculation of density authority
- R2023-2 rate filing in April?



Questions?

