

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

ANNUAL COMPLIANCE REPORT, 2022

Docket No. ACR2022

**MOTION FOR
ISSUANCE OF CHAIRMAN'S INFORMATION REQUEST**
(January 18, 2023)

The National Postal Policy Council, the Association for Postal Commerce, the Major Mailers Association, the National Association of Presort Mailers, and N/MA – The News/Media Alliance hereby move for issuance of a Chairman's Information Request to the Postal Service to provide data necessary for an accurate assessment of workshare discounts. In particular, the requested ChIR would ensure that the Commission can – fully consistently with every annual compliance determination since FY2008 – make findings and draw conclusions based on complete and transparent cost data.

The Postal Service's FY2022 Annual Compliance Report ("*FY2022 ACR*") did not include retiree health benefit normal costs ("RHB normal costs"). In so doing, it relied on Order No. 6363. That Order's treatment of RHB normal costs is currently the subject of Docket No. RM2023-3.¹

¹ *Motion for Reconsideration or, in the Alternative Petition To Initiate A Proceeding Regarding the Appropriate Analytical Principle for Retiree Health Benefit Normal Costs*, Docket No. RM2023-1 & Docket No. RM2023-3 (Dec. 19, 2022) ("*Motion*"). By operation of Rule 3010.164(c), the motion for reconsideration rendered Order No. 6363 non-final with respect to RHB normal costs, and that therefore the Postal Service acted incorrectly in omitting such costs from the *FY2022 ACR*. Although the Postal Service's choice to do so may be understandable due to then-imminent filing deadline for the *ACR*, that is no reason not to complete the record now.

Retiree health benefit normal costs have been reported in every annual compliance review since FY 2008 and affect many important issues under consideration in this proceeding. Regardless of the outcome of Docket No. RM2023-3 – which remains pending – the omission of approximately \$4.4 billion in RHB normal costs, including approximately \$2.6 billion in attributable costs,² means that the *FY2022 ACR* does not provide fully transparent cost information because it excludes costs that were incurred in FY 2022. Those costs affect fundamental issues such as unit costs by product and shape, contribution by product and class, and cost avoidances.

The Postal Service's premise, which Order No. 6363 accepted, is *not* that those costs disappeared due to improved employee efficiency, changes in labor agreements, or any other operational change – but instead only due to a change in the timing of when the *undisputed liability* for these retiree benefits is *funded*. Employees continue to earn these retirement health benefits (which are set by labor contracts, not by Congress) – so they are part of the economic cost of providing postal services -- and eventually the Postal Service will be required to pay those liabilities.

Failing to include these large and material future liabilities will frustrate the transparency that the ACR process is intended to promote. And the failure to include all economic costs will frustrate the Commission's need to draw accurate and meaningful conclusions about total and unit costs, pricing, and workshare discounts.³

² The \$4.4 billion is the FY2022 liability in RHB normal costs reported by the Postal Service in its FY2022 Form 10-K at 32. The \$2.6 billion in accrued such costs is an estimate based on the percentage of such costs that were attributed in recent years. See Docket No. ACR2021, Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021 (July 1, 2022), CS18-21.docx, p. 18-2 and USPS-FY21-5, FY21.5 RealTB.Public.Redacted.xlsm, "seg 18", cell K1095.

³ The Postal Service argues that a cost is "economic" only if it is an amount that it is required to pay. *Response of the United States Postal Service To Mailers' Motion for Reconsideration and Petition*, Docket Nos. RM2023-1 and RM202303, at 8 (Jan. 4, 2023). But the Postal Service *is* required to pay its

While NPPC understands that the omission of RHB normal costs potentially affects every cost segment and issue for which labor costs are an input, the focus of this motion is workshare costs avoided. Regardless of the outcome of Docket No. RM2023-3, efficient discount pricing going forward should be based on all mail processing and delivery labor costs that worksharing avoids. Those costs include future retiree health benefit liabilities, which the Postal Service will eventually need to pay. The Commission should take those costs into account when reviewing workshare discounts in this proceeding. Unlike many other issues in this proceeding, the Commission's findings regarding workshare discounts have a direct effect on worksharing discounts in future rate adjustments.

Therefore, the undersigned mailers move for a Chairman's Information Request asking the Postal Service to submit key costing data in this proceeding that includes RHB retirement costs, just as it has in past years.

There is no harm or prejudice in having this data available to the Commission and interested parties, regardless of how the Commission resolves Docket No. RM2023-3.⁴ The Postal Service could hardly object, given that it unilaterally chose to file an alternative calculation of the possible density authority that relied on its preferred approach that the Commission had rejected in Order No. 6363, simultaneously with the

retirees' health benefits; its argument boils down to that an RHB cost should be considered for regulatory purposes only at some future time when it gets a bill from OPM, not as a cost in the year when the employees who earn it actually handle mail.

⁴ It is certainly possible that Docket No. RM2023-3 will result in a ruling that the Postal Service should report RHB normal costs, just as it has in every previous annual compliance report since FY 2008.

submission of the calculation that complied with that Order.⁵ *Letter from James L. Tucker to the Hon. Erica A. Barker* (Dec. 30, 2022). Mailers are asking merely, correspondingly, that the RHB normal cost data at issue in Docket No. RM2023-3 likewise be made available, at least for purposes of assessing workshare discounts. And if the Commission grants the relief sought by the mailers in Docket No. RM2023-3, the appropriate data already would be in the record.

Therefore, the undersigned mailers respectfully ask for issuance of the following Chairman's Information Request:

1. Please provide a version of USPS-FY22-3 which calculates cost avoidances with current year's retiree health benefit normal costs (18.3.6.1) accrued, attributed, and distributed under the same methods as described in Summary Description of USPS Development of Costs by Segments and Components, Fiscal Year 2021 as filed with the PRC on July 1, 2022.⁶
 - a. With these changes, please revise the workbook in the folder using the same processes as are used to produce the original version of USPS-FY-22-3.
 - b. Please also provide any and all public folders that differ from those filed in the ACR that changed as a consequence of accruing, attributing, and distributing retiree health benefit normal costs.

⁵ Order No. 6363 had made a ruling regarding \$57 billion in retiree health benefit obligations that the PSRA eliminated over the Postal Service's objection.

⁶ Mailers recognize that the requested change will also affect other library references as well, but not all. Of course, if the Commission grants the relief mailers seek in Docket No. RM2023-3, many library references will need to be updated regardless. Granting this ChIR will cause the Postal Service to incur time and effort. But that is not sufficient reason for the Commission to not ask for the necessary information in order to issue an accurate Annual Compliance Determination.. Indeed, the mailers' December 19, 2022, motion made Order No. 6363 nonfinal and technically the Postal Service should have included these retiree health benefit normal costs in the *FY2022 ACR* as filed.

Respectfully submitted,

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