



POSTAL REGULATORY COMMISSION

[Docket No. R2023-3; Order No. 6618]

Market Dominant Price Adjustment

AGENCY: Postal Regulatory Commission.

ACTION: Notice.

SUMMARY: The Commission is recognizing a recently filed Postal Service notice of a Market Dominant price change proposing two incentives, along with proposed classification changes. This notice informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* September 11, 2023.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <http://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER INFORMATION CONTACT** section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On August 11, 2023, the Postal Service filed a notice of a Market Dominant price change proposing two incentives, along with classification

changes to the Mail Classification Schedule (MCS).¹ The intended effective date for the two new incentives is January 1, 2024. Notice at 1. The Notice, which was filed pursuant to 39 CFR part 3030, triggers a notice-and-comment proceeding. 39 CFR 3030.124.

II. Overview of the Postal Service's Filing

The Postal Service's filing consists of the Notice, which the Postal Service represents addresses applicable requirements of 39 CFR 3030.122 and 39 CFR 3030.123; one PDF attachment (Attachment A) to the Notice; and three Excel workbooks entitled "Marketing Mail Incentive_Projections.xls," "First Class Mail Incentive_Projections.xls," and "CY24 Consolidated Incentives_Projections.xlsx."

Attachment A includes the changes to the MCS necessary to implement the incentives. Notice, Attachment A. The three Excel workbooks contain the Postal Service's financial models to support the proposed incentives.²

The Postal Service states that "incentives build stronger relationships between the Postal Service and the mailing industry and encourage mailers to continue to use the mail to engage with their customers, expand their customer base, and increase customer loyalty." Notice at 2-3. The Postal Service also asserts that "incentives have the potential to improve the Postal Service's overall financial position." *Id.* at 3. Based on this, as well as declining volume trends, the Postal Service proposes an incentive for First-Class Mail (First-Class Mail Growth Incentive) and an incentive for USPS Marketing Mail (Marketing Mail Growth Incentive). *Id.*

¹ United States Postal Service Notice of Market Dominant Price Change Creating Two Incentives, August 11, 2023 (Notice).

² Notice, Excel files "Marketing Mail Incentive_Projections.xls," "First Class Mail Incentive_Projections.xls," and "CY24 Consolidated Incentives_Projections.xlsx."

The Postal Service states that the two incentives are “substantially identical.” *Id.* A mailer would be eligible for the First-Class Mail Growth Incentive when its combined volume of qualifying pieces in the incentive period, Calendar Year (CY) 2024, exceeds the incentive threshold. *Id.* The qualifying pieces are First-Class Mail Presort Letters; First-Class Mail Presort Cards; or First-Class Mail Presort Flats. *Id.* Similarly, a mailer would be eligible for the Marketing Mail Growth Incentive when its combined volume of qualifying pieces in CY 2024 exceeds the incentive threshold. *Id.* The qualifying pieces are USPS Marketing Mail Letters and High Density/Saturation Letters; USPS Marketing Mail Flats and High Density/Saturation Flats & Parcels; USPS Marketing Mail Carrier Route; or USPS Marketing Mail Parcels. *Id.*

Under both incentives, “for every qualifying piece mailed in calendar year 2024 after the first million pieces, mailers receive a credit equal to 30 percent of the average per-piece price paid for mailing all qualifying pieces, unless the volume of qualifying pieces the mailer sent in the preceding fiscal year exceeded 1,000,000 pieces. In that case, credits accrue only after the mailer surpasses its fiscal year 2023 volume of qualifying pieces.” *Id.* The Postal Service states that its use of CY 2024 for the incentive period and Fiscal Year 2023 for the comparison period “is intentional” and “allows the Postal Service time to complete the administrative setup of the incentives before the incentive period begins.” *Id.* at 4. The Postal Service states that calculating the credits earned is “somewhat complex” because “[t]here is more than one qualifying product for each incentive, and within any given product, pieces of different weights, sortation levels, and dropship locations have different prices.” *Id.* The Postal Service states that for each incentive, the credits earned are equal to “the total actual price paid for all qualifying pieces (not including any special services that

might be added to and paid for with these pieces), divided by the total volume of qualifying pieces,” which is then multiplied by the total volume of pieces eligible for credits and 30 percent. *Id.* at 4-5.

The Postal Service estimates the First-Class Mail Growth Incentive “will spur \$259 to \$432 million in growth revenue, pay \$78 to \$130 million in credits, and result in \$91 to \$152 million in net contribution” *Id.* at 7. The Postal Service estimates that the Marketing Mail Growth Incentive will spur between \$544 and \$907 million in growth revenue, pay \$163 to \$272 million in credits, and result in a net contribution of \$17 to \$28 million. *Id.* at 6-7.

The Postal Service contends that the two incentives are rates of general applicability. *Id.* at 9. Under 39 CFR 3030.122(i), the Postal Service must state whether it elects to generate unused rate adjustment authority. 39 CFR 3030.122(i). The Postal Service states that it does elect to have the two incentives generate unused rate adjustment authority, but that “sufficient billing determinants do not yet exist for the incentives to be included in any percentage calculation for a change in rates.” *Id.* at 8. The Postal Service states that the soonest it would have sufficient billing determinants to include the incentives in a percentage calculation for a change in rates and generate rate adjustment authority would be an omnibus rate case in 2025. *Id.* at 9.

The Postal Service contends that 39 CFR 3030.221, which requires the Postal Service to raise rates for non-compensatory products in compensatory classes by at least 2 percentage points above the average for that class, does not apply in this proceeding because the Postal Service only seeks to lower prices. *Id.* at 12. The Postal Service also contends that applying 39 CFR 3030.221 to rate cases in which the Postal Service seeks to lower rates conflicts with 39 CFR 3030.122(i), which it asserts “expressly contemplates and permits

the Postal Service to bring rate cases in which it only lowers prices” *Id.* at 13.

III. Initial Administrative Actions

Pursuant to 39 CFR 3030.124(a), the Commission establishes Docket No. R2023-3 to consider the planned Market Dominant price change creating two incentives as well as the related classification changes identified in the Notice. The Commission invites comments from interested persons on whether the Postal Service's planned price adjustments are consistent with applicable statutory and regulatory requirements. 39 CFR 3030.125. The applicable statutory and regulatory requirements the Commission considers in its review are the requirements of 39 CFR part 3030, Commission directives and orders, and 39 U.S.C. 3626, 3627, and 3629. 39 CFR 3030.126(b). Comments are due no later than September 11, 2023. 39 CFR 3030.124(f).

The Postal Service's filing is available for review on the Commission's website (<http://www.prc.gov>). Comments and other material filed in this proceeding will be available for review on the Commission's website unless the information contained therein is subject to an application for non-public treatment. The Commission's rules on non-public materials (including access to documents filed under seal) appear in 39 CFR part 3011.

Pursuant to 39 U.S.C. 505, the Commission appoints John Avila to represent the interests of the general public (Public Representative) in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. R2023-3 to consider the planned Market Dominant price change creating two incentives, as well as the

related classification changes, identified in the Postal Service's August 11, 2023 Notice.

2. Comments on the planned price adjustments and related classification changes are due no later than September 11, 2023.

3. Pursuant to 39 U.S.C. 505, John Avila is appointed to serve as an officer of the Commission to represent the interests of the general public (Public Representative) in this proceeding.

4. The Commission directs the Secretary of the Commission to arrange for prompt publication of this notice in the **Federal Register**.

By the Commission.

Mallory Richards,

Attorney-Adviser.

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