

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

EVERY DOOR DIRECT MAIL RETAIL DISCOUNT

Docket No. R2020-2

**UNITED STATES POSTAL SERVICE
NOTICE OF TYPE 1-C MARKET DOMINANT PRICE CHANGE**

By its attorneys:

Nabeel R. Cheema
Chief Counsel, Pricing & Product Support

/s/ Kara C. Marcello

Kara C. Marcello
Eric P. Koetting

475 L'Enfant Plaza, SW
Washington, D.C. 20260
(202) 268-4031
Kara.C.Marcello@usps.gov
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I. Overview of Price Case

The Governors of the United States Postal Service have authorized an Every Door Direct Mail Retail (“EDDM Retail”) discount. Pursuant to section 3622 of title 39 and 39 C.F.R. part 3030, the Postal Service submits the planned rate incentive and related classifications for Postal Regulatory Commission review. As detailed in this Notice, the rate incentive is designed to satisfy the standards Congress set forth in section 404(b).

Attachment A appended to this Notice includes the changes to the Mail Classification Schedule (MCS).¹ Pending Commission review, the rate incentive will take effect at 12:01 a.m. on August 1, 2020. The Postal Service is publicizing the rate change via Press Release, Industry Alert, *DMM Advisory*, and on usps.com. The Postal Service will also provide notice in future issues of the *PCC Insider*, *Postal Bulletin*, and *Federal Register*.

In compliance with Rule 3030.512(a)(4), the Postal Service identifies Samie Rehman as the official available to respond to Commission inquiries:

Samie Rehman, Manager, Pricing
475 L’Enfant Plaza SW, Room 4136
Washington, D.C. 20260

The remainder of this Notice is structured as follows. Part II presents the Every Door Direct Mail Retail discount. Part III addresses compliance with applicable law, including the price cap and, consistent with Rule 3030.512(b)(7), describes how the resulting rate design comports with the objectives and factors of section 3622.

¹ Attachment A is intended to satisfy subparts (a)(1) and (b)(11) of Rule 3030.512.

II. Every Door Direct Mail Retail Discount

The extraordinary and unprecedented nature of the COVID-19 pandemic and the current economic downturn has severely harmed many businesses. Small local businesses have been hit particularly hard as they adopt austerity measures and pull back on their marketing efforts in response to business closures or drastic reductions in demand. EDDM Retail volume was down in Quarter 2 as compared to the same period last year by 21.3 million pieces (or 13.3 percent) while revenue fell by \$3.2 million dollars (or 11 percent). A decline is projected to continue through postal Quarter 3, FY 2020 or further.

Concurrent with the gradual reopening of the economy, the Postal Service intends to offer an EDDM Retail discount to encourage use of the mail as an advertising platform to reach existing and new customers. This should in turn assist small local businesses in recovering from the impact of the pandemic. Postage for all EDDM Retail pieces entered between August 1 and September 30, 2020 will be \$0.172 per piece, a 10 percent reduction off of the current permanent rate of \$0.191. No registration is required: all EDDM Retail pieces entered during the promotional period will receive the discount.

III. Compliance with Statutory and Regulatory Requirements

This section addresses the Postal Service's compliance with the price cap. In addition, as required by Rule 3030.512(b)(7), this section explains how the planned rate incentives are designed to help achieve the objectives and properly take into account the factors of 39 U.S.C. § 3622. Further, it addresses the impact on workshare discounts and, in compliance with Rule 3030.512(b)(8), closes with a discussion of how

the planned changes are consistent with the preferential rate requirements of 39 U.S.C. §§ 3626, 3627, and 3629.

A. Price Cap Compliance

The Postal Service is making a Type 1-C rate adjustment, meaning a rate will decrease. Pursuant to Rules 3030.506(b)(3) and 3030.512(b)(10), the Postal Service has elected to generate unused rate adjustment authority from the Every Door Direct Mail Retail discount. The Docket No. R2020-1 USPS Marketing Mail workpapers have been amended consistent with Rules 3030.527 and 3030.523(b)(2). The discount generates a small amount of price cap space for the class (approximately \$2 million or 0.012 percent). The following table demonstrates Marketing Mail’s compliance with the price cap under the planned rate adjustment:

CPI Based Cap Space	1.900 ²
Unused Cap Space from Previous Years	0.009 ³
Total Available Cap Space	1.909
Percentage Change in Rates	1.848 ⁴
Unused Cap Space After Price Change	0.061 ⁵

² See Attachment C, Docket No. R2020-1 (Oct. 9, 2019); see also Postal Regulatory Commission, 12-Month Average Change in CPI-U (Sept. 16, 2019), at <https://www.prc.gov/sites/default/files/160919%20CPIweb.pdf>.

³ See Docket No. R2019-1, Order No. 4875 (Nov. 13, 2018), at 2.

⁴ See USPS-LR-R2020-2, CAPCALC-USPSMM-R2020-1-R2020-2.xlsx, tab “Price Change Summary,” cell C12.

⁵ *Id.* at cell C18.

B. Section 3622's Objectives and Factors

The rate design of the EDDM Retail discount reflects the Postal Service's pricing flexibility and efforts to respond to an unparalleled crisis as it works toward financial stability within the confines of the current regulatory regime (Objectives 4 and 5, Factor 7). The rate incentive is intended to drive incremental growth in volume and revenue as businesses completely shut down or severely limited by the COVID-19 pandemic begin to reopen and seek to reach new and existing customers (Factors 1, 7, and 8). The rate incentive employs a simple structure as an upfront 10 percent discount (Factor 6). Importantly, the program will not imperil the ability of USPS Marketing Mail as a whole to cover its attributable costs (Factor 2). The Postal Service believes the EDDM Retail discount reflects an appropriate balance of the objectives and factors, among other considerations underlying the Governors' business judgment.

C. Workshare Discounts

A rate incentive is, by definition, a discount other than a workshare discount that is designed to increase or retain volume. See Rule 3030.523(a)(3). Therefore, the Postal Service's planned rate incentive will not change the workshare discounts favorably reviewed by the Commission in Docket No. R2020-1.

D. Preferential Rates

Section 3626 sets forth pricing requirements for certain preferred categories of mail. Section 3626(a)(6) is the sole sub-part implicated by this proceeding because the incentive program will apply only to USPS Marketing Mail. Specifically, section 3626(a)(6) requires that Nonprofit USPS Marketing Mail prices be set to achieve an average revenue per piece that is, as nearly as practicable, 60 percent of the

commercial average revenue per piece. The EDDM Retail discount will move the revenue per piece ratio calculated in Docket No. R2020-1 closer to 60 percent, from 59.98 percent to 59.99 percent.⁶

In addition to a discussion of section 3626, Rule 3030.512(b)(8) also requires the Postal Service to discuss how its planned prices are consistent with sections 3627 and 3629. Neither section is implicated by this rate case, because the Postal Service is not altering the free rates and is not changing the eligibility requirements for nonprofit prices.

⁶ Compare USPS-LR-R2020-2/1, CAPCALC-USPSMM-R2020-1-R2020-2.xlsx, tab "Price Change Summary," cell C24, with PRC-LR-R2020-1/2, CAPCALC-USPSMM-R2020-1, tab "Price Change Summary," cell C24.

ATTACHMENT A

CHANGES TO MAIL CLASSIFICATION SCHEDULE

(New text is underlined, and deleted text is struck through. “* * * *” indicates material that has been omitted because it contains no changes)

PART A

MARKET DOMINANT PRODUCTS

* * * * *

1200 **USPS Marketing Mail (Commercial and Nonprofit)**

* * * * *

1235 **Every Door Direct Mail—Retail**

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1235.4 Price Categories

The following price categories are available for the product specified in this section:

- Saturation Flats (3.3 ounces or less)
 - DDU entry level
- Every Door Direct Mail—Retail Incentive Program

* * * * *

1235.6 Prices

Saturation Flats (3.3 ounces or less)

Entry Point	(\$)
DDU	0.191

Every Door Direct Mail—Retail Incentive Program

Provide a 10 percent discount on qualifying postage for each Every Door Direct Mail—Retail piece mailed between August 1, 2020 and September 30, 2020.