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

MARKET-DOMINANT PRICE CHANGE	Docket No. R2024-2

COMMENTS OF THE NEWS/MEDIA ALLIANCE
(May 9, 2024)

The News/Media Alliance (“N/MA”) respectfully submits these comments on the Postal Service’s Notice of Market-Dominant Price Changes. N/MA is the leading voice for the news and magazine media industries. Our members represent over 2,200 diverse publishers in the United States—from the largest groups and international outlets to hyperlocal sources. Our members are trusted and respected providers of quality journalism.

At a time when the publishing industry is facing high paper costs, digital competition, threats against journalists, and a difficult advertising market, the Postal Service is once again imposing the maximum rate increases possible on Periodicals mail. The increases are 9.701 percent for Within County Periodicals and 9.758 percent for Outside County Periodicals, for a class average increase of 9.754 percent. If approved, those increases will result in compounded increases of nearly 50 percent for Periodicals mail since August 2021. Despite these relentless price increases, the cost coverage of Periodicals is lower today than it was in FY 2019 due to the Postal Service’s continued failure to control its costs for Periodicals and other flat-shaped mail.

These rate increases will only harm publishers and the communities around the nation that they serve. History shows that Periodicals rate increases will have minimal impact on overall Postal Service finances, that volumes will continue to plummet, and the Service's abject failure to control Flats costs means that it likely could continue to charge the extra two percent non-compensatory surcharge indefinitely under current rules. While the increases appear legal under current regulations, N/MA urges the Commission to modify the regulations in Docket No. RM2024-2.

I. THE RECENT CUMULATIVE RATE INCREASES ON PERIODICALS HAVE LITTLE VALUE TO THE POSTAL SERVICE BUT HAVE CAUSED GREAT HARM TO PUBLISHERS AND THE PUBLIC

The increases in Periodicals rates continue to harm the publishing industry and the public's interest in news and information while doing little to improve the Postal Service's overall financial condition.

The Postal Service calculates that the Periodicals rate increases will generate $95,325,695 additional revenue. *See* USPS-COMPCALC-PER-R2024-2, Tab Summary. That calculation applies the fixed-weight price index calculation prescribed by Commission regulations -- which is an appropriate means of applying a price cap. It must be acknowledged that it makes the unrealistic assumption that no volume loss will occur despite rate increases of nearly 10 percent and a history of plummeting volume.

For years, Periodicals revenue has been lower than estimated in the notices of rate adjustment because the higher unit revenue has been offset by continuing volume losses. From FY 2018 to FY 2023, Periodicals volume declined by 40 percent. They have fallen an additional 8.3 percent through the first five months of the current fiscal year, a sizable decline considering that some newspapers have increased their use of Within County mail due to not being able to find independent carriers.[1]

It should also be noted that the Postal Service's projection is based on rates that include the two percent non-compensatory surcharge approved by the Commission in Docket No. RM2017-3. With Periodicals revenue now below $1 billion annually, the non-compensatory surcharge accounts now for no more, and likely less, than $20 million.[2] The surcharge is part of the steep per-unit price increase paid by those publishers using the mail, but it is difficult to claim that this amount of money – trivial for an $80 billion organization such as the Postal Service – justifies the additional harm that the surcharge inflicts on publishers and their communities.

Furthermore, the noticed rate increases come at a time when service performance has remained well below published standards for years. Although the Postal Service has met its service performance "targets" in the last two fiscal years, that is only because those targets were extremely low even after reducing service standards in Docket No. N2021-1 and far below the 95 percent pledged

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[1] *See USPS Preliminary Financial Information (Unaudited)*, *February 2024,* at 2 (March 25, 2024).

[2] Nor may it be achieving its goal. The cost coverage of Periodicals mail was higher in FY 2019 than in either FY 2022 or FY 2023. *See ACD FY2023*, at 21, Table III-2. Since FY 2019, the Periodicals class has experienced declines in volume of 35.4 percent, total revenue of 22.7 percent, but only 17.6 percent in attributable costs. *See ACD FY2023*, at 22. The Service reported a decline in Periodicals costs in FY 2022, but that is misleading as it was solely due to the exclusion of retiree health benefit normal costs. *See Comments of the N/MA – The News/Media Alliance*, Docket No. ACR2022, at 1 (Jan. 31, 2023); *ACD FY2022* at 35.

in the Delivering for America Plan.[3] That means that the Postal Service *expected* to deliver nearly one out of every seven periodicals late, which is deeply concerning for N/MA members who deliver time-sensitive content. If subscribers receive their information late, that leads to canceled subscriptions. What is known about Periodicals service performance thus far in FY 2024 is worse still.[4] Furthermore, only 53 percent of Periodicals volume, and less than 10 percent of Within County volume, is included in the Postal Service's service measurements,[5] so the true service performance picture is unknown.

The combination of higher rates and poor service in recent years are harming publishers and the communities they serve. This has contributed to the sharply reduced volumes as well as in the closing of titles and growth of "news deserts" around the nation. It is also harming the prestige and reputation of the Postal Service as a dependable public service. And the loss of Periodicals hurts the Postal Service by lessening the appeal of the "mail moment." In 2019, the Office of the Inspector General found that the presence of Periodicals mail in the mailbox enhances the value of mail in other classes.[6] With 40 percent fewer Periodicals pieces than only a few years ago, this effect wanes.

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3 In FY 2023, the Postal Service provided on-time delivery to less than 87 percent of the volume. *Annual Compliance Determination FY2023*, at 168, Table V-11.

4 https://about.usps.com/what/performance/service-performance/fy2024-q1-periodicals-quarterly-performance.pdf (noting that Periodicals service performance was 3.9 points worse in the first quarter of 2024 than in the same period last year).

5 *See USPS-FY23-29 Annual Report on Service Performance for Market Dominant Products*, Docket No. ACR2023, at 13 (Dec. 29, 2023) & *ACD FY 2023* at 119, Table V-1.

6 Office of Inspector General, RARC Report: *Advertising Mail: Mail Mix Matters*, at 6 (April 15, 2019).

Given the small incremental impact of Periodicals revenue on the Postal Service, the Service would be acting more as a public service, and publishers and the public would be better served, with lower, rather than higher, Periodicals rates with a goal of retaining or increasing volume, together with a focus on improving service. N/MA urges the Commission to address this in the recently opened Docket No. RM2024-4.

II. THE POSTAL SERVICE'S CONSIDERATION OF SECTION 206 IS INCOMPLETE

The Postal Service's chronic inability to control flats costs continues to be a fundamental problem affecting Periodicals mail. The Postal Service's ongoing inability to control the unit costs of flat-shaped mail and restrain them below the level of inflation bears responsibility for the non-compensatory status of the Periodicals class and prevents the cost coverage from improving. That did not happen in Fiscal Year 2023 and, more than halfway through Fiscal Year 2024, does not appear likely to occur this year either.

In Section 206 of the Postal Service Reform Act, Congress directed this Commission to study and issue a report on flats costs, and in turn directed the Postal Service to file a Flats Plan responsive to the issues identified in the Commission's study. The Commission issued its Flats Operations Study Report in April 2023, and the Postal Service filed its plan in October 2023.[7] After a review, the Commission found the plan lacking in "both important details and

[7] *See Submission of the United States Postal Service Flats Plan Pursuant to Section 206 of the Postal Reform Act*, Docket No. SS2022-1 (October 6, 2023).

analytical support needed to evaluate the plan" and sought more information.[8] As of this date, the Commission has yet to approve the plan.

Section 206(c) requires the Postal Service, when raising rates during the five-year period after the Commission issued its *Flats Operations Study Report*, to "consider the findings of such report" and the efficacy of its own plan developed in response to that *Report*.[9] In its *Notice* (at 2), the Postal Service acknowledges that the Commission has yet to approve its plan but claims that "much of the strategy outlined in the plan was already underway before submission" of the plan." *Notice* at 2. It states, as has done previously, that it has considered Section 206(c) "to the extent possible."

The Postal Service does not explain this statement further. But the Postal Service's current operational changes do not appear to be reducing flats costs. Nor is there any accountability for whether any initiative is, in fact, working because the Postal Service does not set measurable metrics for determining the success or failure of its initiatives.

The Postal Service also states that it is following the Commission's recommendation that it combine "increasing revenue and reducing costs until unit

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[8] *Notice and Order on Postal Service's Submission of Flats Plan*, Docket No. SS2022-1 (November 17, 2023).

[9] As directed by Section 206, the Commission conducted a thorough analysis culminating in its *Flats Operations Study Report* on April 6, 2023. The Commission's report identified numerous issues with postal processing, transportation, and management of flats. *E.g., Flats Operations Study Report*, at 93-95 (unreliable counts of workhours and volume due to lack of machine counts and clocking errors); at 78 (poor communications to mailers); at 76-77 & 106 (insufficient and poor quality data); at 82 (Postal Service makes "minimal" effort to understand the sources of flats processing inefficiencies); at 73 (inefficient use of containers on long-distance trucks); at 40-42 (use of machines with inappropriate drop heights for the mail being processed).

revenue exceeds attributable costs for each non-compensatory flats product." *Notice* at 2. Unfortunately, the Postal Service appears to be taking the easy route of raising rates rather than doing the hard part of reducing its costs.[10] Last FY 2023, despite losing *12 percent* of its Periodicals volume, the Postal Service saw *total* Periodicals costs decrease by barely 2.2 percent, from $1.571 billion to $1.536 billion.[11]

The Postal Service's "consideration" of Section 206(c) appears to treat it as a justification for raising rates. But Congress wanted it to control costs as well, and the actions taken to date do not appear to be working. It should be abundantly clear by now that, until cost increases are consistently below inflation, price increases will not make Periodicals compensatory.

Consistent with Section 206, the Commission should require the Postal Service to develop metrics to enable the success of initiatives to be measured and hold the Service accountable for meeting them. As N/MA has suggested elsewhere, the Commission should not allow the non-compensatory surcharge unless the Postal Service can restrain per-unit cost increases for Periodicals below CPI.

III. CONCLUSION

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[10] The modest improvement in Periodicals workshare discount passthroughs will help, but still more is needed to send optimally efficient workshare price signals.

[11] *Compare ACR* at 39 *with* Docket No. ACR2022, PRC-LR-ACR2022-1, Public_FY22CRAReport_UpdtedOrder6459, Tab Cost1.

The News/Media Alliance respectfully urges the Commission to consider these comments and look to moderate the punishing rate increases on Periodicals Mail in recent years, and to prevent more increases in the future.

Respectfully submitted,

N/MA – The News/Media Alliance

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