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

MARKET-DOMINANT PRICE CHANGE	Docket No. R2023-2

COMMENTS OF N/MA - THE NEWS/MEDIA ALLIANCE
(May 10, 2023)

The News/Media Alliance ("N/MA") respectfully submits these comments on the Postal Service's Notice of Market-Dominant Price Changes. N/MA will address the continued unprecedented increases in Periodicals rates and the new Saturation Flats incentive in USPS Marketing Mail.

I. THE POSTAL SERVICE CONTINUES TO RAISE PERIODICALS RATES RATHER THAN FIX FLATS COSTS

The Postal Service is proposing to raise rates by 8.08 percent for Outside County Periodicals and 8.811 percent for Within County Periodicals. If approved, those increases will result in compounded increases since August 2021 of more than 32 percent for Periodicals.

These sharp increases come at a time when service performance remains far below published standards. Although the Postal Service did meet its service performance "target" in FY 2022, it had set the target extremely low (even lower than in FY 2021). *See Annual Compliance Determination FY 2022*, at 162 (Mar. 29, 2023) ("*ACD FY22*") (noting that service performance for Periodicals were the lowest for any Market-Dominant products in FY 2022). That poor service occurred notwithstanding that the Postal Service had revised not only its targets, but also its service standards, for Periodicals downward, as reviewed in Docket No. N2021-1. Furthermore, only 54 percent of Periodicals volume, and less than 12 percent of Within County volume, is included in the Postal Service's service measurements,[1] so the true service performance picture is unknown. And the target for FY 2023 is merely 85.75 percent on-time delivery, well below the 95 percent pledged in the Delivering for America Plan and one that projects that nearly one out of every five periodicals will be delivered late.

These steep rate increases and low service levels have occurred while volumes have plummeted. As the Commission recently noted, Periodicals volume has declined by 31.9 percent since FY 2018. *ACD FY22* at 30. In FY 2022 alone, Within County volume declined by 2.8 percent and Outside County volume by 8.2 percent. *ACR, LR22-45 Rule 3050.55 Paragraph (b) Narratives,* at 29-30. Periodicals volumes have fallen nearly 11 percent more this year.[2]

Nonetheless, the Periodicals Mail class continues to play a critical role in disseminating news and information to communities and preventing more news deserts. The loss of Periodicals volume has adverse effects on the Postal Service beyond the Periodicals itself. 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. The OIG stated that increasing the volume of advertising mail "will work better if they are accompanied by efforts to increase

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[1] *See USPS-FY22-29 Annual Report on Service Performance for Market Dominant Products*, Docket No. ACR 2022, at 17 (Dec. 29, 2022) & *ACD FY 2022* at 127.

[2] *See USPS Preliminary Financial Information (Unaudited)*, *March 2023,* at 2 (May 9, 2023).

(or slow the decrease of) the volume of First-Class and Periodicals Mail." Office of Inspector General, RARC Report: *Advertising Mail: Mail Mix Matters*, at 6 (April 15, 2019). Periodicals enhance the "mail moment."

One reason for the steep increases in Periodicals rates, of course, has been the Postal Service's use of the 2 percent adder for "underwater" classes adopted in Order No. 5763 along with the other additional rate authorities adopted in Docket No. RM2017-3. Unfortunately, rates alone will not solve the postal issues facing the Periodicals class; the Postal Service has not controlled or decreased Periodicals costs and volume has fallen rapidly.[3]

The Commission has long expressed concern about the Postal Service's inability to control Periodicals costs. *See, e.g.*, *ACD FY22* at 37; *Flats Operations Study Report*, at 18 (April 6, 2023). The Commission recently starkly summarized the problem: since FY 2018, while Periodicals volumes have fallen by 31.9 percent and revenue by 24.9 percent, the Postal Service has managed to reduce total Periodicals attributable costs by only 16.9 percent. *ACD FY22* at 30. The Commission's *Flats Operations Study Report* identified numerous issues with postal processing and management of flats.[4] Unfortunately, however, the

[3] The Postal 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 FY22* at 35. Note that unit attributable cost of Periodicals declined only in mail processing and other costs, which are primarily labor related and where the normal costs would have been attributed. *Id*.

[4] *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

Flats Operations Study Report did not direct the Postal Service to take the necessary steps to set measurable and enforceable metrics for reducing its flats costs or improving its productivity in handling flats, including Periodicals.[5] As a result, N/MA fears that the Postal Service will continue to rely on rate increases, rather than make operational improvements, to respond to the Commission's insistence that it improve Periodicals class cost coverage.

Additionally, the Postal Service could have done more to increase workshare discount passthroughs for Within County mail to more efficient levels. Specifically, the Postal Service could have set the passthroughs for Carrier Route Basic Flats, High Density Flats, and Saturation Flats at materially more efficient levels.

II. THE SATURATION INCENTIVE IN USPS MARKETING MAIL RATES

The Postal Service is proposing a 10 percent discount for "Marriage Mail" Saturation Flats and Letters weighing 2 ounces or less. N/MA will address four issues relating to this proposal.

First, it is concerned that the proposal may fail to achieve its goals, because it does not extend to High Density Plus Flats, which often serve the same advertising market, but instead may merely discriminate among mailers. Many newspapers operate Total Market Coverage ("TMC") programs that

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of containers on long-distance trucks); at 40-42 (use of machines with inappropriate drop heights for the mail being processed).

[5] *See Comments of N/MA – The News/Media Alliance*, Docket No. SS2022-1, at 11-14 (Jan. 18, 2023)

combine subscriber delivery with mail delivery to nonsubscribers to the print newspaper, in order to cover an advertiser's desired geographical area. Depending upon the market or even the ZIP code, these newspaper TMC programs may use Saturation Flats rates or may use High Density Plus rates. The eligibility cut-off between Saturation and High Density Plus can be as little as one address. Those lighter-weight mailers, and the advertisers therein, face the same challenges as, and in some areas may compete with, exclusively saturation mailers. Not extending the discount to High Density Plus mailings of under 2 ounces may fail to achieve the Postal Service's stated objective and risks simply discriminating among rival mailers for no stated reason. N/MA encourages the Commission and Postal Service to consider whether to revise this proposal accordingly.

Second, N/MA questions whether the Postal Service will be able to ensure that mailers satisfy the eligibility requirements over the course of a year in the manner it described in response to Chairman's Information Request No. 1, Question 16.

Third, N/MA notes that the Postal Service offered a Saturation and High Density Mail incentive program throughout calendar year 2011. *See Annual Compliance Determination Fiscal Year 2012*, at 126 (March 28, 2013). The Commission required the Postal Service to report on the total amount of discounts awarded. N/MA believes that if the Commission approves the currently proposed 2-ounce incentive, it should do the same for the currently proposed Marriage Mail incentive.

Finally, N/MA asks for clarification as to whether the Postal Service intends for this incentive to be a new product, a permanent discount, a permanent incentive, or for it to be treated as a promotion. The Postal Service did not repeat the 2011 incentive program in subsequent years.

III. CONCLUSION

The N/MA – The News/Media Alliance respectfully submits these comments for the Commission's consideration.

Respectfully submitted,

N/MA – The News/Media Alliance

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