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

MARKET-DOMINANT PRICE CHANGE	Docket No. R2025-1

COMMENTS OF THE NEWS/MEDIA ALLIANCE
(May 9, 2025)

The News/Media Alliance ("N/MA") respectfully submits these comments on the Postal Service's Notice of Market-Dominant Price Changes.[1] 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 news and magazine publishers to hyperlocal newspapers, and from digital-only outlets to publishers dating back to the nation's founding. They are trusted and respected providers of quality journalism, accounting for nearly 90 percent of the daily newspaper circulation in the United States, over 500 individual magazine brands, and dozens of digital-only products.

At a time when the publishing industry is facing soaring costs due to tariffs, physical threats against journalists, digital competition, and a difficult advertising market in an unsettled economy, the Postal Service has decided to impose the maximum rate increase allowed on Periodicals mail. The increases are 9.762 percent for Within County Periodicals and 9.352 percent for Outside

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[1] *United States Postal Service Notice of Market-Dominant Price Changes*, Docket No. R2025-1 (Apr. 9, 2025) ("*USPS Notice*").

County Periodicals, for a class average increase of 9.385 percent. If approved, those increases will result in compounded increases of nearly *62 percent* for Periodicals mail since August 2021. These relentless rate increases have inflicted, and will continue to inflict, substantial injury to publishers and the American public.

The Periodicals class comprises only a small share of Market Dominant volume, and changes in its rates have only a minimal impact on overall Postal Service finances. Indeed, although Periodicals rates rose by 9.754 percent in the last rate adjustment (R2024-2), the Postal Service's revenues from Periodicals actually *declined* by $10.5 million.[2] Yet while having little effect on postal finances, the increases in Periodicals rates will reduce volumes to the detriment of the communities that they serve.

Market changes have affected the publishing industry significantly in recent years. One-third of the nation's newspapers have closed in the last two decades – 130 newspapers shuttered in 2023 alone.[3] "News deserts" abound throughout small communities and rural areas. Relentless postal rate increases have helped contribute to these losses.

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[2] *Compare* Docket No. ACR2023, *PRC-LR-ACR2023-1 FY 2023 23 Public RPW* ($922.7 million) *with USPS-FY24-1 Public-FY24CRA_Expanded.xlsx*, Tab Summary ($912.1 million). That amount was about $106 million less than shown in the Postal Service's cap calculation. *See* Docket No. R2024-2, *USPS- LR-R2024-2-3 USPS-COMPCALC-PER-R2024-2*, Tab Summary. While that calculation applied the appropriate fixed-weight price index calculation prescribed by Commission regulations, its assumption that volumes would not change was admittedly unrealistic.

[3] *See* <u>The State of Local News 2024</u>, at 7.

Furthermore, publishers of all sizes are currently dealing with other massive cost increases as well. The recent threat of 25 percent tariffs on paper from Canada (which supplies 85 percent of North American newsprint) will simply compound already difficult financial pressures on publishers. Publishers are already seeing increased costs from the 10 percent reciprocal tariffs currently imposed on coated paper, aluminum printing plates, ink, and more.

Despite ever-increasing postal rates, Periodicals receive poor service. Only 83 percent of Periodicals volume received on-time delivery in FY 2024, a worse performance than in FY 2023 and well below the Postal Service's self-set target of 87.29 percent. *Annual Compliance Determination Report Fiscal Year 2024*, Docket No. ACR2024, at 66, Table VI-1 (Mar. 28, 2025) ("*ACD FY24*"). And that is only measured volume; little Periodicals volume -- and especially Within County volume -- is included in service measurements. The true service performance picture is unknown but anecdotal reports from members show a worse problem with canceled subscriptions and lost advertisers.

Furthermore, Periodicals service is expected to worsen still more. Last fall, the Postal Service advised the Commission that its service performance target for Periodicals in FY 2025 would be 84 percent, a reduction from its FY 2024 target that it failed to meet.[4] Not only did the Postal Service set a lower bar, but it also recently moved the goalposts by implementing a new operational framework pursuant to its Delivering for America plan. This is already happening and will deliberately slow delivery for many of the nation's print publications. The

[4] *Letter from Mikhail Raykher to Erica Barker* (Nov. 29, 2024)

Postal Service even plans to change how service performance is measured by not counting certain Sundays.[5] N/MA expressed its concerns over these changes in Docket No. N2024-1.[6] The Commission correctly identified numerous issues with the changes, yet the Postal Service nonetheless implemented many of them on April 1. The remainder are to be in place by July 1, just before the rate increases in this docket are on track to take effect.

The noticed Periodicals rate increases will harm publishers while yielding little benefit to the Postal Service. The Postal Service would be acting more as the public service that it is, and publishers and the American public would be better served, with lower, rather than higher, Periodicals rates. Those rates should be set with a goal of retaining or increasing the use of the mail to disseminate news and information, together with a focus on reducing costs and improving service. N/MA urges the Commission to address this in the recently opened Docket No. RM2024-4.

I. THE COMMISSION MUST REVISE THE CURRENT SYSTEM FOR REGULATING MARKET DOMINANT RATES

Inflation accounts for less than one-third of the Periodicals increases since August 2021. The remaining more than two-thirds portion is due to the additional rate authorities adopted in Docket No. RM2017-3, which have inflicted incalculable harm on Periodicals mail with little offsetting benefit. Both

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[5] *See generally United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services*, Docket No. N2024-1 (Oct. 4, 2024).

[6] *News/Media Alliance Statement of Position*, Docket No. N2024-1 (Dec. 18, 2024).

Periodicals revenues and volumes have declined significantly since the conclusion of Docket No. RM2017-3.

In Docket No. RM2024-4, N/MA urged the Commission to modify the regulations to maximize the incentives to reduce cost and increase efficiency, to promote predictability and stability in rates, and to maintain high quality service standards. In particular, N/MA recommended (1) repealing the non-compensatory surcharge – or conditioning it on the Postal Service achieving 95 percent on-time performance compared to service standards then in effect and on limiting unit cost increases to less than CPI minus one percent; (2) repealing the density authority, and (3) limiting the frequency of Postal Service rate increases.[7]

The noticed rate proposals show the continued need for these reforms. In particular, the non-compensatory surcharge, untethered as it is to cost control, simply authorizes higher rates while providing little incentive for the Postal Service to focus on managing flats costs. And while the Postal Service did, commendably, make this rate filing one year after the latest increase – rather than six months later – it has stated that it is likely to return to twice-a-year rate increases, which should be prohibited.[8]

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[7] *See Comments of the News/Media Alliance*, Docket No. RM2024-4, at 2 (July 9, 2024).

[8] *See United States Postal Service Filing of Updated Schedule for Regular and Predictable Rate Adjustments* (Dec. 30, 2024).

II. THE POSTAL SERVICE'S UNBALANCED CONSIDERATION OF SECTION 206 RELIES EXCESSIVELY ON RATES AND INSUFFICIENTLY ON COST REDUCTION

The Postal Service's chronic inability over many years to control the unit costs of flat-shaped mail bears substantial responsibility for the non-compensatory status of the Periodicals class. This has been the subject of attention from both Congress and this Commission.

In Section 206 of the Postal Service Reform Act ("PSRA"), Congress directed the Postal Service, with the aid of a study done by the Commission, to adopt a plan to reduce flats costs. The Commission issued its Flats Operations Study Report in April 2023, and the Postal Service filed its Flats Plan in October 2023.[9] That plan was inadequate; after a review, the Commission found the plan lacking in "both important details and analytical support needed to evaluate the plan" and sought more information.[10] As of this date, the Commission has approved the plan only in part.

Furthermore, Section 206(c) of the PSRA 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*.[11] In its *Notice*, the

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[9] *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).

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

[11] The Commission's Flats Operations Study Report identified numerous issues with postal processing and management of flats.[11]

Postal Service asserts that it has considered Section 206(c) “to the extent possible.” *USPS Notice* at 6. The Postal Service states that it is following the Commission’s recommendation that it combine “increasing revenue and reducing costs until unit revenue exceeds attributable costs for each non-compensatory flats product.” *USPS Notice* at 6; *see also ACD FY2024* at 26 & 33.

Unfortunately, its “consideration” of Section 206(c) and the Commission’s recommendation appears limited. The Postal Service states that it is “premature” to address the efficacy of its Flats Plan in reducing costs despite the latter’s heavy reliance on the Delivering for America Plan now entering its fourth year. *Id*. at 7.

Instead, the Postal Service is using it to justify taking the easy course of raising rates rather than the hard part of reducing its costs.[12] Specifically in the case of Periodicals, experience since FY 2020 has been that the “combination” is decidedly unbalanced, with a heavy reliance of maximum rate increases while Periodicals unit attributable costs have risen.

But Congress wanted the Service to control costs as well. To date, it is unclear whether the Postal Service’s Flats Plan has had any real success. Periodicals unit attributable costs have risen since 2021 despite a reduction in the past year.

Until cost increases are consistently below inflation, price increases are unlikely to make Periodicals compensatory. The Commission should require the

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

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 in Docket No. RM2024-4, the Commission should not allow the non-compensatory surcharge unless the Postal Service can restrain per-unit cost increases for Periodicals below CPI.

III. THE POSTAL SERVICE'S PROPOSAL TO EXTEND THE MARRIAGE MAIL INCENTIVE IN USPS MARKETING MAIL TO HIGH DENSITY PLUS SHOULD BE APPROVED

In USPS Marketing Mail, the Postal Service will be extending the Marriage Mail incentive to High Density Plus Flats and Letters. *USPS Notice* at 20. N/MA has urged the Postal Service to expand this incentive to High Density Plus flats for several years[13] and recommends its approval. This change will make the incentive available to publications, especially small local newspapers, that are unable to attain the saturation density that is currently required.

IV. OUTSIDE COUNTY WORKSHARE DISCOUNTS NEED IMPROVEMENT

The Postal Service's noticed workshare discounts for Periodicals Mail are mixed. In the Within-County product, which has experienced a volume increase in recent years, the passthroughs of avoided costs are at or very close to 100 percent at the Carrier Route, High Density, and Saturation rate categories that

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[13] *See News/Media Alliance Comments*, Docket No. R2023-2, at 4-6 (May 10, 2023); *News/Media Alliance Comments*, Docket No. R2024-1, at 6 (Nov. 3, 2023); *News/ Media Alliance Comments*, Docket No. ACR2023, at 7 (Jan. 30, 2024).

account for the vast majority of Within-County volume. *See USPS-LR-R2025-1-3, USPS-COMPCALC-PER-R2025-1*, Tabs Within County BD & Passthroughs WC. That is commendable and should improve efficiency.

The avoided costs passthroughs are less efficient in Outside County mail, where the passthrough for Machinable Automation 5-Digit flats, one of the largest rate categories, is barely above the 85 percent minimum required by current regulations. More broadly, most Outside County workshare discount passthroughs are materially less than 100 percent. *See USPS-LR-R2025-1-3, USPS-COMPCALC-PER-R2025-1*, Tab Passthrough Outside County.

In light of the Postal Service's continued difficulty in consistently reducing Periodicals costs, the Service should be striving to set these discounts at more efficient levels, meaning passing through 100 percent of the avoided costs. Doing so would optimize publisher incentives to prepare mail efficiently and thereby reduce the Postal Service's own costs. While the noticed discounts comply with current regulations, those regulations should be improved. The Commission can do so in Docket No. RM2024-4.

V. CONCLUSION

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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