

Q & A

Industry At Large Webinar October 18, 2019 at 12 noon (EDT)

Question: *Can you expand on Flats pricing? Why is it bouncing around from \$0.21 to \$0.15 back to \$0.20...seems inconsistent.*

ANSWER: First-Class Mail Stamp price was increased from 50 cents to 55 cents, a 10 percent increase, in January 2019. The price cap last year was 2.4 percent. The price of some products within First-Class Mail had to be reduced to keep the entire mail class within the cap. Reducing the additional ounce price for Flats from \$0.21 was one of the price reductions to keep First-Class Mail price increase within the cap. The price of additional ounce for Flats was brought back up to \$0.20 this year because keeping it down at \$0.15 for an extended period would have driven the cost coverage for the Flats product underwater.

Question: *Marketing mail saturation flats that are currently at \$0.179 for SCF presort. Is this changing?*

ANSWER: Saturation Flats that are drop shipped at the destination SCF will continue to be charged \$0.179, i.e., this price does not change in the Docket No. R2020-1.

Question: *Are you keeping the Commercial Plus category for Priority Mail?*

ANSWER: Yes.

Question: *Are the Priority Mail Commercial Base and Commercial Plus rates the same?*

ANSWER: Yes, although Priority Mail Open and Distribute and Priority Mail Cubic remain solely as Commercial Plus.

Question: *Did you factor the appellate court decision regarding first class retail rates into account when developing this price structure?*

ANSWER: No.

Question: *Is this the only increase in 2020 or should we be prepared for another based on the expected PRC ruling on the 10 Year pricing methodology?*

ANSWER: Price changes are at the sole discretion of the Governors.

Question: *Are any mailing fees going up? Bulk mail - Marketing or First class annual fees?*

ANSWER: Several mailing fees are proposed to increase in January 2020. First-Class Mail and Marketing Mail Annual Fees, Permit Imprint Application Fees, Periodical Application Fees among others are proposed to increase.

Question: *I noticed that your International USPS is more in cost than FedEx when sending postcards and letters which you go to FedEx due to cost. That is what I've seen when getting best price postage for our customers. Have you seen that in your end and thought about adjusting cost to compete?*

ANSWER: FedEx does not deliver a domestic equivalent First-Class letter and card (priced at \$1.15 cents for both worldwide, up to one ounce). There seems to be no price comparison between what the USPS and FedEx in worldwide prices for low weight letters and cards (up to one ounce). The Postal Service strives to reduce costs at every opportunity for domestic and international products to reduce the pass-through (discount divided by cost avoidance) by at least ten percentage points if they are over 100 percent. In this price change docket, the Postal Service is reducing the DNDC pass-through by slightly more than 10 percentage points while the DSCF pass-through is only being reduced by 8.7 percentage points.

Question: *Is there Dim weight for Retail Ground LOR rates?*

ANSWER: No.

Question: Why did the spread change between FC 5-digit to the AADC rate?

ANSWER: The reported cost avoidances in Annual Compliance Report fluctuate over time reflecting changes cost avoidances. The Postal Service aims at aligning discounts to avoided costs. However, due to fluctuations in costs a perfect alignment is not possible. The price for 5 Digit letter is projected to increase by more than CPI cap in 2020 by 0.2 percent. However, the price increases have been under CPI cap since 2015 by 2.7 percent.

Question: Is registered mail going away?

ANSWER: No.

Question: Market Dominant vs. Competitive products...as it relates to the PRC Decision, which category does First Class and Certified Mail fall under?

ANSWER: Market Dominant

Question: Why is there a change to NDC discount but not SCF discount?

ANSWER: Assuming that the discounts in question are the dropship discounts for Letters. Generally, the discounts for both DNDC and DSCF are calculated using the Origin (or None) price as the benchmark. If Origin is used as a benchmark then both of these discounts are being reduced to bring them closer to their estimated cost avoidances. There is a PRC requirement to reduce these discounts enough.

Question: Can you explain the workshare a bit or put in Q&A... I just don't understand that piece.

ANSWER: Workshare Discounts are lower price given to mailers for entering their mail pre-barcode sorted or drop-shipping the mail at points closer to final delivery or preferred postal locations. The rationale for these discounts is that by presorting the mail or delivering it to locations closer to final delivery, the mailers are doing work that the Postal Service would otherwise have to do itself and this work is reducing the Postal Service's costs. The PRC determines benchmarks for workshare discounts and requires that the discounts do not exceed the avoided costs between the benchmarks and the discounted prices. Each year in December, the Postal Service files avoided costs for the prior Fiscal Year in its Annual Compliance Report (ACR). The most recently filed avoided costs are compared to the discounts in the proposed prices and as long as the discounts do not exceed the most recently filed avoided costs, the Commission finds them satisfactory. In instances when the Postal Service proposes prices where the discounts do exceed avoided costs, the PRC requires the Postal Service to justify them using four acceptable justifications: 1) Mail Operations Efficiency 2) Educational or Cultural value 3) Rate Shock or 4) new products. The Commission reviews the relationship between avoided costs and workshare discounts each time the Postal Service files new avoided costs in the ACR and each time it files new prices which result in new discounts.

Question: Are any assessment fees going up for commercial mailers? Like Move Update being charged 8 cents apiece.

ANSWER: FCM & Marketing Mail. There is no change in the Move Update Assessment charge, remains \$0.08, Full Service IMb incentive remains at \$0.003, Picture Permit Indicia charge remains at \$0.01 for FCM and at \$0.021 (no change) for Marketing Mail. Nonbarcoded Parcel surcharge is reduced from \$0.054 to \$0.049 for Marketing Mail. Forwarding and Return Service for Marketing Mail are:

Mail Category	Current Price	Proposed Price
Letters	\$0.45	\$0.46
Flats	\$1.39	\$1.53
Parcels	\$4.53	\$4.63