## July 2024 Market Dominant Price Change Filing Webinar Q&A

Presented: April 17, 2024

Presenter – Fiona Machado, Acting Director, Mailing and Services Pricing

1. Why is the price exactly the same for STD LTRS AADC AUTO and STD LTRS AADC MACH? Isn't there a difference in processing efficiency between AUTO and MACH?

There is a workshare relationship between Auto Mixed AADC and Auto AADC and workshare relationship between Nonauto Mach MAADC and Nonauto Mach AADC. Currently the costs avoided are very close for these rate categories, where to meet PRC passthrough requirements, we must set these two prices are same. However, we proposed to increase Full Service IMb and Seamless incentives for Automation Letters to continue to incentivize the use of barcodes and efficient mail preparation and entry into the Postal network.

- 2. Are the 2025 promotions final? There was some passionate feedback at the last UG 8 meeting. Any changes related to the 2025 promotions discounts and time ranges will be filed with the PRC as part of Docket No. 2024-2.
- 3. Do you know the percentage discount for the promotions? And add-ons? *Percentages below are pending PRC approval.*

## Promotions:

- Integrated Technology: 3%
- Tactile, Sensory, Interactive: 4%
- Continuous Contact: 3%
- Reply Mail IMbA: 3% or 6% discount depending on the barcode
- First-Class Mail Advertising: 3%

Add-Ons (Additional discount is added to Promotion discount – Reply Mail IMbA excluded):

- Informed Delivery: 1% discount to mailer, 0.5% credit to eDoc submitter
- Sustainability: 1%
- 4. Any chance USPS promotions / USPS will consider changing the dates of the Continuous Contact promotion to set dates for July August so there is an opportunity for Marketing Mail to have an eligible promotion throughout 2025? Right now, only First-Class mailers have a chance to pursue an eligible incentive to the full year (I understand the calendar just shown is not in alignment with the dates in the actual filing)
  Any changes related to the 2025 promotions discounts and time ranges will be filed with the PRC within Docket No. 2024-2. This request is under review by the Postal Service. We are recommending to the PRC that the Continuous Contact promotion period be April 1, 2025 through December 31, 2025.
- 5. Why can't the price increases go into effect just once a year and go into effect on the first day of the month? As a large business mailer, it would be easier to change the pricing on our equipment and report monthly costs a little easier.

Every day we delay implementing a price change costs USPS millions of dollars. We must provide at least 90 days' notice and try to take into consideration the major holidays when releasing a large technical change. However, we understand this concern and will evaluate possible improvements in the price change schedule.

- 6. Will we see a separate proposal for Priority pricing increases this year? Competitive prices are not addressed in this webinar.
- 7. Why is cost per piece for NP flats nearly twice as high as commercial?

  Different dropship and presort characteristics are primary drivers. We used the same cost for each rate category and weighted them back to an average total based on the distinct commercial and nonprofit volume profiles.

- 8. If Informed Delivery becomes more popular because of this year-round add on. Can the SEQ range start to add STID into the equation of unique barcodes?
  - We will monitor how the industry reacts to the changes of the promotions and continue to solution to improve the ID customer experience.
- 9. If flats are covering their costs, why are they still getting a higher increase?

  The Flats product is still underwater in FY2023. The cost coverage is 64.5%. The overview of cost coverages provided shows the cost coverage of all flat shaped pieces. Even if a product is compensable, there are many competing objectives to be considered when allocating the available authority to hundreds of rate cells.
- 10. Fiona shared a slide showing 2023 Marketing Mail Cost Coverages. Commercial Flats have a 103.4% cost coverage. Why then do they have to bear the extra 2% non-compensatory increase? It looks like the problem is with non-profit flats, not commercial flats.
  103.4% is for all flat-shaped products, includes HD & Saturation Flats. for "Flats" product, the cost coverage is 64.5% in FY2023, where Commercial Flats is about 75% cost coverage. Even if a product is compensable, there are many competing objectives to be considered when allocating the available authority to hundreds of rate cells.
- 11. Since you are raising flats prices so much to improve cost coverage, are there equally ambitious and coordinated programs underway to lower your cost of processing and delivering flats?

  Yes. we have provided our plan to the PRC, but they have not yet approved it.
- 12. Is there somewhere that you provide an example of calculating the new flats cost structure? Particularly for the more than 4oz pieces.

  For a 5oz Automation 5-Digit Flat dropped at Origin, the proposed price is \$0.814 (0.428+1.234/16\*5).
- 13. The heavyweight Marketing Mail flats at 4 oz is higher in some cases than the lightweight piece price. For example, 5DG Auto non-entry heavyweight at 4 oz is \$0.7365 vs \$0.687 for lightweight. Why is that?

  Any pieces under 4oz or equal to 4oz will pay the lightweight per-piece price only. With the new flat-shaped rate structure, there will be a breakpoint in the prices between 4 ounces and over 4 ounces. In order to meet PRC passthrough requirements and avoid the price anomalies, the calculated 4-ounce price using HW per-piece price and per-pound price may be higher than, or at least equal to the corresponding LW per-piece price.
- 14. For Periodicals, what is the difference between Outside County vs Inside County? Thanks!

  The differences are in the DMM, section 203.11.3. It Inside County are often used by newspapers who mail only with in the county of their permit.
- 15. How soon can you take advantage of the Optional Tray Prep of HD & HD+? *Upon implementation of the price change, on July 14, 2024.*
- 16. For Marketing Mail flats over 4 ounces, the proposed rule does not change the existing language that only the weight above 4 ounces is used when calculating the pound rate. But the explanation says the entire weight will be used, as it was before last years' changes. What's correct?

  The per pound price will apply to entire weight. We are following up on the DMM language to ensure that documentation is up to date.
- 17. Similarly, last year, Marketing Mail Non-machinable letters pricing was tied to MM flats. But there is no discussion of reverting the rate calculation for MM Non-machinable letters. Will they change along with MM flats, or will they keep the 2023 pricing method?

  Non-Machinable letters still pay the corresponding Nonauto Flats price under the new structure.
- 18. Estimate on when this will be FINAL? 51 days.
- 19. Is there a FAQ about the IMbA?

  Yes, it is posted on PostalPro at <u>Industry Forum Webinars and Presentations | PostalPro (usps.com)</u> or 
  https://postalpro.usps.com/industry-events/webinars-and-presentations

- 20. Isn't pc/pd just going back to the old way?

  For the Marketing Mail flat-shaped rate restructure, it is for over 4 ounces but under 4 ounces have their own piece price.
- 21. Was expected participation in the volume incentive factored into the price increases for marketing mail?

  No, the rate impact associated with the Growth Incentive credits were not factored into the price change. The postal service cannot factor forecasts or predictions into the rate case financial workpapers.
- 22. Are you saying you can't work on flats costs until the PRC approves your plan?

  We have a plan that we are working on currently and expect the DFA network alignment will improve the cost of flats. We are working specifically on reducing bundle breakage among other things.
- 23. Does the IMbA require each BRM IMB to have unique serial numbers?

  Serialization is not required for participation in the Reply Mail IMbA Promotion. Eligible pieces with serialized barcodes will get a 6% discount, non-serialized (static) will receive a 3% discount.
- 24. Is there any way to make your larger postage increase in January around budget setting time instead of July when they're typically set? Thanks for line graph slide.

  Every day we delay implementing a price change costs USPS millions of dollars. The soonest the Postal Service can apply the density and retirement rate authorities is in the July rate case. If the Postal service transitions to a single price change per year, it will produce the most needed revenue if scheduled in July, not January. Ultimately the establishment of rates and classes (and the implementation dates thereof) are reserved to the Governors.
- 25. We keep having incentives thrown at us to grow direct mail, however, with marketing mail already up almost 10% this year, it would appear that the USPS is discouraging our customers from continuing to use Direct Mail. Is there anything in the DFA plan to reverse this trend soon?

  The Postal Service carefully considers and balances product, market, and customer trends with right-sizing prices that have been suppressed by a historically defective pricing model.
- 26. If the cost differential between IMB and machinable is so close, why has there been such an aggressive push to get everyone to use IMB's in the past 15 years?

  The cost differential for barcodes for Marketing Mail has not been so close over the entirety of the past 15 years.
- 27. For 2025, are you estimating one (1) rate increase? I see July 2025 but not an increase for January 2025. Forward guidance that we filed with the PRC outlines that we are planning to file two price changes in 2025.
- 28. Why such a large increase in the EDDM this round? At .017 per piece this is three and a half times the one from January alone

  The July 2024 rate authority is significantly higher than the rate authority that was available for January 2024.

The July 2024 rate authority is significantly higher than the rate authority that was available for January 2024, due to the availability of the density and retirement authority adders. This price was developed based on numerous factors such as product performance, and customer market and economic trends, to name a few.