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

MARKET-DOMINANT PRICE CHANGE	Docket No. R2024-1

COMMENTS OF THE NEWS/MEDIA ALLIANCE
(November 6, 2023)

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.

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 7.320 percent for Within County Periodicals and 1.594 percent for Outside County Periodicals, for a class average increase of 1.959 percent. If approved, those increases will result in compounded increases of 35 percent for Periodicals mail since August 2021.

Although the increases in Outside County rates are generally consistent with inflation, the 7.320 percentage increase for Within County Mail far exceeds CPI. Carrier Route nonautomation Letters and Flats, the single largest volume category of Within County Mail, face an increase of 5.8 percent – triple the amount of inflation. It is unfortunate that the Postal Service has not requested a waiver of Commission rule 3030.127(b) to allow it to moderate the Carrier Route rate increase.

The increases in Periodicals rates continue to punish the publishing industry and harms the public's interest in news and information while doing little to improve the Postal Service's overall financial condition due to Periodicals' relatively small volume. These steep rate increases and poor service have been accompanied by substantial volume declines. Periodicals volume declined by 31.9 percent from FY 2018 to FY 2022.[1] They have fallen an additional 11.4 percent this year, a very large drop considering that some newspapers have increased their use of Within County mail due to issues with independent carriers.[2]

The underlying problem facing Periodicals class is the Postal Service's chronic inability to control Flats costs. That is why Congress enacted Section 206 of the Postal Service Reform Act – which directed the Commission and Postal Service to focus on Flats costs while suggesting that, rather than raise Flats rates, rates should be moderated until costs are brought under control. As Congress recognized, the Postal Service's ongoing inability to control the unit costs of Flats bears much of the blame for the non-compensatory status of the Periodicals class, and it is essential that the Service bring its Flats costs under control and restrain them below the level of inflation.[3]

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1 *See Annual Compliance Determination FY 2022*, at 30 (Mar. 29, 2023) ("*ACD FY22*").

2 *See USPS Preliminary Financial Information (Unaudited)*, *August 2023,* at 2 (September 25, 2023).

3 As N/MA previously noted, the reported reduction in Periodicals unit costs in FY 2022 compared to FY 2021 is due to the exclusion of retiree health benefit normal costs from attributable costs in FY 2022, not from operational improvements by the Postal Service. *See Comments of N/MA -- the News/Media Alliance*, Docket No. ACR FY2022, at 1-2 (January 31, 2023) (noting that excluding RHBNC lowered unit attributable costs by about 3 cents); compare *Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal*

Section 206(c) of the Postal Service Reform Act 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*.[4] In its *Notice* (at 1), the Postal Service states that it has considered Section 206(c) "to the extent possible." The Postal Service does not elaborate on what it means by "to the extent possible." Instead, it once again raises rates by the maximum amount while asserting that it is premature to address the efficacy of its flats plan despite the latter's heavy reliance on the Delivering for America Plan now in its third year. Unfortunately, that the Service has chosen to impose on Periodicals the maximum increase indicates that it has given Section 206(c) little consideration. The Commission should require the Postal Service's proposals for its July 2024 rate increases to be guided by a full and proper consideration of Congress' Flats pricing mandate, and corresponding rate moderation.

The Commission is reminded that these rate increases come at a time when service performance has remained well below published standards for years. Although the Postal Service met its service performance "target" in FY

Year 2021, Docket No. ACR FY2021, Appendix A (May 18, 2021) *with Financial Analysis of United States Postal Service Financial Results and 10-K Statement, Fiscal Year 2022,* Docket No. ACR FY2022, Appendix A (May 17, 2023).

[4] 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).

2022, it had set the target extremely low even after reducing service standards in Docket No. N2021-1.[5] The target for FY 2023, which just ended, was 85.75 percent on-time delivery, well below the 95 percent pledged in the Delivering for America Plan. And the Postal Service is not meeting that target thus far in FY 2024.[6] That means that the Postal Service *expected* to deliver nearly one out of every five periodicals late. 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,[7] so the true service performance picture is unknown.

The loss of Periodicals volume due to rate increases several times larger than inflation and poor service performance has adverse effects on the Postal Service more broadly. 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.[8] The OIG stated that increasing the volume of advertising mail "will work better if they are accompanied by efforts to increase (or slow the decrease

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[5] *See ACD FY22*, at 162 (noting that service performance for Periodicals were the lowest for any Market-Dominant products in FY 2022).

[6] *See* https://about.usps.com/newsroom/national-releases/2023/1027-latest-usps-report-shows-sustained-service-performance.htm

[7] *See USPS-FY22-29 Annual Report on Service Performance for Market Dominant Products*, Docket No. ACR2022, at 17 (Dec. 29, 2022) & *ACD FY 2022* at 127. In FY 2023 3Q, less than eight percent of Within County mail was in measurement.

[8] This effect is weakened when publications cease to exist. The Commission has noted that 3.8 percent of publications ceased publishing between FY 2021 and FY 2022. *See ACD FY22* at 30.

of) the volume of First-Class and Periodicals Mail."[9] This has not changed: Periodicals enhance the "mail moment."

The continued erosion of Periodicals volume also undermines the Commission's goal of making the class compensatory. The Commission noted in the FY 2022 Annual Compliance Determination that since FY 2018, Periodicals volume has declined by 31.9 percent, total revenue by 24.9 percent, but total attributable cost by only 16.9 percent.[10] Periodicals pieces have become lighter, and their percentage of advertising content has slipped from 35.8 percent to 30.2 percent, both changes reducing revenue because weight and advertising content are rate elements. *Id.* at 32. The decline in advertising content reflects broader trends in the advertising marketplace, but, like postage rates, imposes increasing financial pressure on publishers to the detriment of the Postal Service. The Periodicals class could become more compensatory if the Postal Service priced it to discourage volume loss.

Finally, the Postal Service proposes to continue a 10 percent incentive for Saturation Flats and Letters weighing 2 ounces or less. As N/MA stated in Docket No. R2023-2, in which this incentive was introduced, the Postal Service should extend it to High Density Plus Flats, which serve the same advertising

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

[10] *See ACD FY22*, at 30. 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 FY22* at 35. 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*.

market. The eligibility cut-off between Saturation and High Density Plus can be as little as one address. Those lighter-density mailers, and the advertisers therein, face the same challenges as, and in some areas may compete with, exclusively saturation mailers.

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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