

Before The
POSTAL REGULATORY COMMISSION

WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRICE CHANGE

Docket No. R2021-2

COMMENTS BY THE ANA AND THE ANA NONPROFIT FEDERATION

These comments are submitted on behalf of the ANA and the ANA Nonprofit Federation.

A description of each organization is below:

The ANA's (Association of National Advertisers) mission is to drive growth for marketing professionals, brands and businesses, the industry, and humanity. The ANA serves the marketing needs of 20,000 brands by leveraging the 12-point ANA Growth Agenda, which has been endorsed by the Global CMO Growth Council. The ANA's membership consists of U.S. and international companies, including client-side marketers, nonprofits, fundraisers, and marketing solutions providers (data science and technology companies, ad agencies, publishers, media companies, suppliers, and vendors). The ANA creates Marketing Growth Champions by serving, educating, and advocating for more than 50,000 industry members that collectively invest more than \$400 billion in marketing and advertising annually.

The Nonprofit Federation, an organization dating back to 1982 and brought on board through the ANA's DMA acquisition in 2018, brings the nonprofit fundraising and marketing community closer together as a catalyst for change. The ANA NF has continuously provided top-quality fundraising education, advocacy, sponsorship opportunities, and ethical standards for the nonprofit data-driven fundraising community. It represents nearly 200 national nonprofit

organizations and over 50 agencies that work on their behalf to advance the charitable fundraising and marketing community raising nearly \$450 billion in donations each year. The charitable community includes thousands of missions advancing and helping society, especially during the COVID-19 pandemic crisis.

We are submitting these comments to communicate the concerns of our members about the size of the August increase as the USPS seeks to increase rates for a second time this year. The typical United States Postal Service marketing mail customer is getting less mail service and is now facing higher rates at a time when the nation is still trying to recover from the global pandemic and its terrible economic fallout. Seeking another major increase in addition to the January CPI annual increase is not going to resolve the fundamental issues facing the USPS as mail volume is impacted especially due to the pandemic. Another increase will lead the USPS to a future of declining mail volume and fewer mail customers as outlined below.

As customers of the USPS, the mail industry we represent has already absorbed several rate increases in the past 5 years, most recently, the largest increase in decades in 2019 when the USPS sought a large price hike in addition to the annual CPI increase. We support the role of the PRC as the oversight arm for this key federal agency. We know the PRC has an obligation to ensure that each price increase is scrutinized for results for our nation's mail services and future rather than approving yet another price increase. It is not clear whether the increase in 2019 had the impact set forth by the USPS in its request. Review of this request must factor in such past increases as this approach destabilizes the customer base that cannot afford multiple increases in this short period of time.

As the USPS seeks to expand and remain relevant to its customer base, increasing prices while also reducing mail service has a bigger impact on the marketplace. Commercial catalog mailers, for example, are gravely impacted because, as catalogers, they can no longer count on predictable mail delivery service for their catalogs and time-sensitive sales. These companies staff call centers based upon USPS delivery times. Recent USPS service changes have disrupted such predictability of mail delivery for our members. This significantly increases their costs of scheduling call centers. If more business disruption occurs, it will show that the mail as a commercial and marketing communications device is less and less reliable. Sales dates, sweepstakes, promotions all require a timely and predictable service. Payments in the mail, credit cards, legal notice mail each require a timely delivery to meet legal and transactional obligations. Without adequate service and increased rates, mailers will have no choice but to look elsewhere to meet their obligations.

The USPS is incredibly important to our members. We understand that there is greater pressure on the USPS due to competition as digital services that offer real-time communications with limitless content expand for consumers, and they are increasingly less and less dependent on the USPS. This is seen in the USPS's own data that demonstrates declines in its mail volume over time as rates increase. See <https://facts.usps.com/table-facts/> indicating a decline in mail volume between 2020 – 2017. Another rate increase does nothing to change the decline.

Moreover, prefunding USPS retiree health benefits has been cited as a major factor in past postage increases. Mailers have been charged higher rates to prefund those costs. Yet USPS has not contributed to such prefunding. Where have those requested funds gone? How many times will USPS request and the PRC allow prefunding retiree health benefits to be the repeated cause of significant postage rate increases without any USPS payments to reduce those

costs? The PRC must review the answers to these questions before approving this extraordinary postal rate increase.

As our members look at the future viability of the USPS and using its services, we know the USPS is a public agency that has a universal service obligation in the law. It is not a commercial delivery company that can adjust its prices and pass them along to customers as a cost of doing business. The current rate-setting framework overseen by the PRC was meant to add pressure on the USPS to maintain an efficient mail service and to reduce its expenses based on the Postal Accountability and Enhancement Act (PAEA).

Affordable rates enable companies and organizations to budget increase each year and maintain a level of stability. This is good for the economy and will ensure further viability.

Mailers such as the nonprofit community imagined such predictable rate increases using the CPI price index annually as mandated by postal reform law rather than multiple price increases in the span of 5 years that will increase their rates as high as 50%.

One nonprofit mailer stated it succinctly:

- If rates go up 8%, most non-profits do not have additional budget for the increase cost, so to compensate, they will cut their mailings to pay for the increase postage costs. Let us assume the total quantity will be cut by 5%
- Lowering mail quantity will lower the number of returns/donations for processing which lowers 1st class revenue by 5%
- Lower mail volume will lead to direct mail file sizes contracting due to lower retention rates.
- This is a cycle that will repeat itself with each rate change with many mailers with file sizes under 250,000 reaching a point where it is no longer profitable to mail and abandon their direct mail programs.
- This creates a downward spiral of nonprofit mail and the 1st class mail it generates with postal volumes decreases at a rate greater than the postal increases and compounding the loss in volume and revenue each year.

- With this downward spiral, the USPS will push fewer pieces through its equipment and centers causing any efficiencies or economies of scale to be lost and further contraction of facilities and employment.

Direct mail is still the essential means to obtain charitable donations, especially as the nation recovers from the pandemic. Mailers, including nonprofit organizations, do not have an alternate way to contact their donors and supporters that can replace the mail. They support a healthy and vibrant USPS that has reasonable rates and dependable services.

For example, if a mid-sized charity is paying an annual \$3 million rate in postage cost, the new increase in 2021 could be as high as \$300,000 (based on the CPI increase in January and now the August rate proposal.) This will lead them to cut back their charitable work like meal delivery or serving the homeless or countless other missions that are essential in every community. This type of price increase is unplanned and unlikely to increase the USPS's expected new revenue since the money does not exist, nonprofits do not have funds set aside in their budgets for this level of an increase as they count on voluntary donations to sustain them, they cannot pass on such a new cost.

The increase is not fully justified by the USPS as it seeks to increase mailers' costs based on both the new density requirement, and by attempting to have mailers pre-pay retirement benefits. The pre-funding is an obligation that is a matter for the United States Congress to fix since it a statutory obligation, not one that mailers should have to pay for as a part of their rate increase. Although the PRC has opened the avenue for these new rate increases for the USPS, we stress that now is not the time to add them due to the extreme pressure on businesses, nonprofit organizations and those they serve post-pandemic. Congress has stepped in with additional funding to support the USPS during this time with billions of dollars that will address the need.

Additionally, major mailers seek further clarifications and changes to the PRC's new rate-setting regulation in a federal court challenge. (*See National Postal Policy Council v. PRC*, U.S. Court of Appeals, D.C. Circuit Court) An attempt to establishing these rates based on a challenged process could lead to even greater uncertainty if the Court rules against the PRC's rate-setting regime. Multiple mailing organizations have filed against the new PRC plan for rates arguing the new changes require mailer input, Congressional oversight and review and that the PRC has overstepped its own limited rate authority.

We ask you set to aside this latest USPS increase that impacts our industry and the communities we serve. We respectfully urge your oversight on the requirements of the PAEA for affordable rates and USPS cost review as you review the USPS's latest rate increase request.

Respectfully Submitted,

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