

BEFORE THE POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Notice of Price Adjustment

Docket No. R2009-2

Comments of the Direct Marketing Association

The Direct Marketing Association (DMA) hereby submits these comments in response to PRC Order No. 180, February 12, 2009.

DMA is the largest trade association for businesses interested in direct marketing to consumers and businesses via all channels of communication. Founded in 1917, the DMA today has over 3,600 member companies in the United States and 53 foreign countries. Those members include marketers and their suppliers.

This is the second adjustment by the Postal Service under the Postal Accountability and Enhancement Act of 2006 (PAEA) for market-dominant products. The Commission's role in this proceeding is to determine whether or not the Postal Service's announced price adjustments for market-dominant products averaged by class are at or below the Consumer Price Index for the year preceding the February 12, 2009 announcement. To the DMA it appears that the adjustments meet that requirement.

Neither DMA nor its members agree with all the rate adjustments announced by the Postal Service.¹ Others have filed comments in this proceeding objecting to certain of those adjustments. This is not the proper proceeding to voice those objections. The PAEA established a procedure for those objections, but this proceeding requires the Commission to review the cap.

However, since others have filed comments on specific adjustments², DMA believes that a global comment is in order.³ One of the basic tenets for PAEA was to provide the Postal Service with rate flexibility to respond to market conditions. For competitive products, the Service and the Commission were to ensure that those products provided an adequate contribution to the institutional costs of the Service. For market dominant products, the rate flexibility was tempered by the CPI price cap for each class

¹ In fact, DMA has written to the Board of Governors requesting that these rate adjustments be delayed and that the CPI authority be banked until this economic crisis abates. Copy is attached.

² See the Comments of Newspaper Association of America, Bank of America, and Governor Palin of Alaska.

³ If there is a proper proceeding to comment on specific rate adjustments (which this proceeding is not), DMA will file specific comments.

of mail. The Postal Service must be allowed that pricing flexibility.⁴ To constrict that flexibility with the analysis of cost of service pricing that was established in 1970 would be a financial disaster for both the Postal Service and mailers. It is difficult to fathom what the rate adjustments mailers would face on May 11, 2009 under the old cost of service ratemaking. All mailers have benefited with these announced adjustments over what they would have faced under the old law.

DMA asks that the Commission confine its review to that required by the PAEA and, specifically, do the announced rate adjustments meet the CPI cap test.

Respectfully submitted,

⁴ It was announced this week that the Postal Service's market share in competitive product market has increased.