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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2016	)))	Docket No. ACR2016

**VALPAK DIRECT MARKETING SYSTEMS, INC. AND
THE VALPAK FRANCHISE ASSOCIATION, INC.
INITIAL COMMENTS ON THE UNITED STATES POSTAL SERVICE
FY 2015 ANNUAL COMPLIANCE REPORT**
(February 2, 2017)

On December 29, 2016, the United States Postal Service ("USPS") filed its "United States Postal Service FY 2016 Annual Compliance Report" ("ACR"), which is required by 39 U.S.C. § 3652(a) to be filed within 90 days after the end of the fiscal year. On December 30, 2016, the Postal Regulatory Commission ("Commission") issued Order No. 3717, "Notice of Postal Service's Filing of Annual Compliance Report and Request for Public Comments," seeking initial comments by February 2, 2017, and reply comments by February 13, 2017. The Commission's Annual Compliance Determination ("ACD") is expected on March 29, 2017, pursuant to 39 U.S.C. § 3653(b).

Valpak Direct Marketing Systems, Inc., and The Valpak Franchise Association, Inc. (hereinafter "Valpak") hereby submit these joint Initial Comments on the FY 2016 ACR in response to the Commission's Notice.

I. Standard Mail Flats Remain Grossly Underwater And Cost Cutting Will Not Improve Cost Coverage for Years to Come.

Despite continuous losses on Standard Mail Flats and the Commission annually urging the Postal Service to do something about it, Standard Mail Flats remain in FY 2016 in the same seriously money-losing situation that it was in when the Commission found the product to be out of compliance with the law in the FY 2010 ACD. The Commission's reasoning that led it to that earlier finding apply again in FY 2016, and it is now beyond question that the Commission's remedial order to the Postal Service has proven wholly ineffective and inadequate in achieving compliance within any realistic period of time.

A. Standard Mail Flats Losses Continue to Increase in FY 2016.

In its FY 2010 ACD, the Commission determined that the Standard Mail Flats product was in violation of 39 U.S.C. § 101(d) because it **lost $582 million in FY 2010**, requiring other products to subsidize it rather than paying its way and making a contribution to institutional costs. Now, **after years of the remedial pricing steps** ordered by the Commission, that one product **lost $602 million in FY 2016.**

This FY 2016 loss represents a **one-year increase in loss** from this one product of a remarkable **$80 million — or 15 percent** — over the **$522 million** loss in FY 2015. *See* Table I-1. It also represents a **60 percent** increase over the $376 million loss in FY 2013. Clearly, the product is headed in the wrong direction, and the Postal Service has demonstrated clear defiance of Commission pricing directives.

The Postal Service identifies 100 percent cost coverage of products — *i.e.*, not having one set of commercial mailers subsidize the mail of another set of commercial mailers — as an "appropriate long-term goal." ACR at 26. However, it has no plan to make that happen. The Postal Service identifies several operational efforts to improve coverage. *Id.* at 27-34. Together, however, these operational changes will have only a negligible effect on reducing the subsidy to Standard Flats. Despite the Commission's repeated pleas for some kind of estimate of the financial effect of the Postal Service's cost reducing efforts, "[t]he Postal Service is unable to provide an estimate of the financial impacts of these operational initiatives at this time." *Id*. at 28. The Postal Service's non-responses to Commission criticisms have worked before, and it apparently decided to try the same strategy one more time.

The Postal Service appears to care little about the cumulative sum of money it has lost on underwater products over a multi-year period. Although it lists annual losses as ordered by the Commission, it quite understandably was reluctant to provide the Commission with the sum of those losses. Valpak is pleased to fill in that missing datum for the benefit of the Commission. *See* Table I-1.

Since 2008, when the Postal Service first reported data using the new product categories under PAEA, **Standard Mail Flats has lost almost $4.5 billion**.

Table I-1
Standard Mail Flats Subsidies

Fiscal Year	Subsidy (millions)
2008	$217.8
2009	$615.6
2010	$577.0
2011	$643.2
2012	$527.9
2013	$375.9
2014	$411.0
2015	$521.7
2016	$602.0
Total:	$4,492.1

Source: ACR at 37.

The Postal Service quite believably advises the Commission that these losses on Standard Flats will continue. Under its pricing approach, as approved by the Commission, the Postal Service concludes with typical understatement:

> **it is now certain that the shortfall will not be eliminated** prior to the commencement of the comprehensive review of the present regulatory system required by section 3622(d)(3) of title 39. [ACR at 37 (emphasis added).]

This admission that the shortfall "will not be eliminated" is true without the qualifying language. The reference to the "comprehensive review" is yet another effort to have the Commission defer meaningful remedial action. In truth, unless the Commission acts decisively in this Annual Compliance Determination with a meaningful remedial order,[1] Standard Flats will need to be subsidized for as long as forecasts can reasonably be made.

But it gets worse! The Postal Service explains that its shifting the FSS volumes from Carrier Route into Standard Mail Flats in Docket No. R2015-4 "could actually [have] reduce[d] unit Mail Processing costs for both products [and] this indeed seems to have been the case." ACR at 36. Thus, with respect to Standard Mail Flats — while focusing on the volume of pure (non-FSS Carrier Route) Standard Mail Flats — the **unit costs are higher** and the **cost coverage is even lower** than as reported in the ACR, and will worsen in FY 2017 as the FSS volumes reverts to Carrier Route.

B. The FY 2015 ACD Determination of Noncompliance.

FY 2010 PRC Determination of Illegal Pricing. Some years ago, in its FY 2010 ACD, the Commission made its first determination that Standard Mail Flats prices violated Title 39, and issued a remedial order:

> **that Standard Mail Flats prices in effect in FY 2010 did not comply with 39 U.S.C. § 101(d)** and directed the Postal Service to **increase the product's cost coverage** through a combination of [i] above-average price adjustments, consistent with the price cap requirements, and [ii] cost reductions, until such time that revenue exceeds attributable cost. [FY 2010 ACD at 52 (emphasis added).]

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[1] The Commission does not have the latitude to find a violation and ignore it. Once the violation is found, it has a duty to fix it. *See* Gamefly, Inc. v. Postal Regulatory Commission, 704 F.3d 145, 149 (D.C. Cir. 2013) and discussion in Docket No. ACR2014, Valpak Initial Comments, Section VII.

The Commission imposed no additional remedial measures for FY 2012, FY 2013, and FY 2014 because "the Commission found that the Postal Service had made progress towards addressing the issues raised in the FY 2010 ACD."

PRC FY 2015 ACD Further Determination of Illegal Pricing. However, on March 28, 2016, in its ACD for FY 2015, the Commission again determined that the "Postal Service **did not fully comply** with the FY 2010 directive in FY 2015" with respect to Standard Mail Flats. FY 2015 ACD at 53, 64 (emphasis added). The Commission stated that it has "consistently recommended that the Postal Service improve the financial performance of flats products in" every ACD starting the FY 2008, but progress has been only "minimal." *Id.* at 64, 161. It seemed that the Commission was poised to issue a further remedial order, but stayed its hand, hoping for some improvement. Unfortunately, the condition of Standard Mail Flats has taken a turn for the worse, and the Postal Service's noncompliance with 39 U.S.C. § 101(d) has not just continued, but worsened in FY 2016.

FY 2016 ACR Proof of Worsening Losses. Irrespective of whatever cost cutting measures the Postal Service has attempted over a multi-year period, losses from this product are getting worse. The price increase noticed in Docket No. R2015-4 was only 2.549 percent, not even keeping up with the 3.299 percent increase in unit costs. *See id.* Even then, the 2.549 percent was spread across not only the normal Standard Flats volume, but also to new FSS volumes that were migrated in from Carrier Route and HD/Saturation Flats and Parcels — which volumes were migrated back to those products in Docket No. R2017-1.[2]

[2] The Commission should reassess whether the actual increase for Standard Mail Flats in Docket No. R2015-4 (exclusive of the migrated FSS volumes) was actually above average,

Cost Costing Has Not Worked and Will Not Work. The Commission has regularly asked for the Postal Service to quantify its efforts to reduce flats costs, but in each annual compliance review, the Postal Service has been unable or unwilling to do so. Again, in Docket No. ACR2015, "although the Postal Service described new and ongoing operational initiatives employed during FY 2015 to make processing Standard Mail Flats more efficient, it was not able to quantify the financial effects of those initiatives." *Id.* at 64. Regardless of the actual effect of particular cost cutting efforts, unit costs continue to rise, while unit contribution from Standard Mail Flats continues to sink deeper underwater, and "the cumulative shortfall in contribution from FY 2008 through FY 2015 has grown to **$3.9 billion**" — and now to **$4.5 billion**. *Id.* at 63 (emphasis added). *See also* Table I-1.

The Burden of Standard Flats Losses is Imposed on Profitable Standard Mail Products. It has long been understood by the Commission that so long as the Postal Service chose to tilt the scale in favor of Standard Mail Flats, allowing those who use that product to pay hundreds of millions of dollars annually less than the product costs to handle, that those losses by Standard Flats would be imposed on other Standard Mail products. Indeed, the Commission's determination in the FY 2015 ACD follows on the explicit finding of noncompliance in the FY 2010 ACD.

In the FY 2010 ACD, the Commission found:

> Beginning as early as the FY 2008 ACD and reiterated in subsequent proceedings, the Commission expressed concern that **Standard Mail Flats** do not cover costs and, as a consequence, **impose a disproportionate institutional cost burden on other**

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for it certainly appears that it was not — despite the Commission's directives.

> **Standard Mail products**, particularly Letters. [FY 2010 ACD at 15-16 (emphasis added).]

Then, the Commission continued:

> three commenters … claim that the intra-class subsidy, amounting to $1.4 billion over the last three years, including $577 million in FY 2010, **violates 39 U.S.C. 101(d)**…. **The Commission agrees** and concludes that the **Standard Flats product is not in compliance** with this important policy of title 39. [*Id.* (emphasis added).]

Over the years, the situation has worsened, the Standard Mail Flats product remains far out of compliance, and the Commission's remedial orders have neither resolved nor reduced the intra-class subsidy that exists.

Accordingly, the FY 2015 ACD directed the Postal Service to file a report within 120 days of the ACD providing information about the Postal Service's data systems "[i]n order to understand what can be done to improve cost and service efficiency for flats…." *Id.* at 181. The Commission concluded that it "will evaluate the Postal Service report and may use the information provided to form the basis of a **new proceeding** or **other appropriate action**." *Id.* at 182 (emphasis added). There has yet to be such a "new proceeding" or "other appropriate action." This docket provides such an opportunity.

"Pinch Points." The only action that could be pointed to as having been taken is that the ACD identified six "pinch points" which are driving up costs as well as causing service performance issues:

- Bundle Sorting Operations
- Low Productivity on Automated Equipment
- Manual Processing
- Allied Operations Cost and Service Issues
- Transportation Operations

- Last Mile/Delivery

The Commission sought additional information on these "pinch points" because "[w]ithout visibility into the capabilities of the Postal Service's **current data systems** to track and measure the impacts of its operational initiatives intended to improve flats costs … flats will continue to be a **billion-dollar issue** for years to come." *Id.* at 164-65 (emphasis added).

Postal Service Flats Report On July 26, 2016, the Postal Service filed a lengthy report in response to the Commission's directive where it once again demonstrated that it intends to do virtually nothing to stem their losses on underwater products unless forced to do otherwise by the Commission (hereinafter "Flats Report"). For Standard Mail Flats, the FY 2015 ACD directed the Postal Service to discuss its data systems covering the six "pinch points" set out above to shed light on problems related to (i) cost coverage and (ii) service performance. Where current data systems fail to provide information about these pinch points, the Commission asked what it would take to develop such data.

The Postal Service claims that it "shares many of the Commission's concerns about costs and service for flat-shaped products." Flats Report at 2. It states the obvious when it observes:

> There is no doubt that Outside County Periodicals and **Standard Mail Flats**, in particular, have been **among the most challenging products** for the Postal Service to **process and deliver profitably** in the years since enactment of [PAEA]. [*Id.* (emphasis added).]

The Postal Service explains that most of the service **performance** issues were caused by a one-time change made to the "operating window." The Postal Service claims that this one-time event is unlikely to be replicated, and thus, "calling into question the need for the present report, at least insofar as service issues are concerned." *Id.* at 2. However, the Postal Service neglects to address the Commission's concern as to whether the expiration of this "one-time event" will result in any improvement in cost coverage. It appears clear that it will not.

The Postal Service's report on Standard Mail Flats addresses in detail each of the six pinch points. Throughout the report, however, the Postal Service questions the ability of improved data to help resolve the issues. For each of the six pinch points, it describes "Information Generated by Current Data Systems," followed by a discussion of "Opportunities to Improve Current Data." The Postal Service attacks the Commission's remedial order, claiming that "'more data' as a stand-alone objective cannot improve the efficiency or service performance of flat-shaped mail" — as if the Commission ever claimed that "more data" was the objective. *Id.* at 3. Collecting more data on cost problems will not solve underwater Standard Mail Flats — prices need to be increased immediately and in a meaningful way.

The Postal Service gives lip service to the unsatisfactory situation with respect to cost and service performance of Standard Mail Flats by stating that it appreciates the Commission's concern. On the surface, the Postal Service response appears to be fully responsive — almost overly responsive — to the Commission request, drowning the Commission in irrelevant detail. For each pinch point it describes every existing data system along with a discussion of the strengths and limitations of each. However, when discussing opportunities to improve data the Postal Service goes into exquisite detail about matters that;

(i) would be prohibitively expensive to implement, and

(ii) likely do little, if anything, to improve performance or productivity.

Although the Postal Service tries to give the impression it went out of its way to be responsive, it assiduously avoids the obvious. The low productivity, and high cost, of processing and delivery of flats relative to letters, due to a failure (possibly the inability) of automation — especially FSS — to reduce processing cost. But that basic truth is not even hinted at in the Postal Service response.[3] The truth is otherwise.

Data visibility, in theory, would help identify and resolve problem areas with Postal Service operations. However, after thinking about it for four months, the Postal Service has now confirmed that either it is unwilling or financially unable to develop data systems where they do not now exist.[4]

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[3] To elaborate, if Carrier Route flats (which are presorted to line-of-travel or walk sequence) can be manually sequenced for delivery by carriers at a lower unit cost than FSS operating at maximum speed and optimum capacity, then simply striving for better, more granular information cannot be expected to reduce cost. In fact, the Postal Service move to shift Carrier Route flats to FSS may be an important cause of the most recent increase in the unit cost of flats. The Postal Service Flats Report's only comment with respect to FSS is that it is still in its infancy.

[4] The Postal Service chooses to interpret the Commission's reasonable reference to an "ideal data system" to mean one that "capture[s] information about every mail piece processed through each operation" in a way that "would allow management to define desired operational flows for all mailed items through every facility configuration, detect deviations from the desired flow and allow the immediate rerouting of the errant piece and/or container [and] would be usable for identifying and then preventing the root causes of the failures." Flats Report at 9-10. The Postal Service continues describing something much more than an "ideal" system. Indeed, the Postal Service's "ideal data system" could even predict the future! *See id.* at 12. Once the Postal Service defines an "ideal data system" as being a pipe dream, it was simple for the Postal Service to conclude that it could not be achieved. *See id.* at 12-16. The Commission did not define an "ideal data system," and the Postal Service took the most extreme interpretation of that term possible. The Postal Service **could have** actually contributed to the conversation by describing an improved data system that would improve coverage and service performance in the context of the real world of Postal Service operations, but it chose not to do so.

The Postal Service Report sets out few priorities for reducing cost or improving service performance of flats. Indeed, the Postal Service puts the ball back into the Commission's court: "the Postal Service expects that **the Commission's reaction** to this information will be a significant contribution to subsequent efforts to reach the beneficial goals outlined in the Commission's pinch point analyses." Flats Report at 7. In other words, the Postal Service is telling the Commission to "fix it yourself."

Commission Information Request No. 1, Docket No. ACR2015. Two months after the Postal Service's Flats Report, the Commission issued Commission Information Request No. 1 (Sept. 27, 2016),[5] which stated:

> the Postal Service provided a response to the Commission's directive that **did not provide a method** to measure, track, and report the cost and service performance issues for each pinch point. Without a plan to measure, track, and report these issues, **the Postal Service has not complied** with the Commission's directive. [CIR No. 1 at 2 (emphasis added).]

That CIR graciously granted the Postal Service yet another 60 days to develop ideas how to measure and report on problem areas that drive up costs for Standard Mail Flats. That brings us to Thanksgiving. Then we passed Christmas. Now it is the New Year. Noncompliance with the FY 2010 ACD directive is still the order of the day. Sixteen months after the end of FY 2015, still no action has begun to deal effectively with the problems.

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[5] The Commission also hosted a technical conference on October 21, 2016 to allow the Postal Service to present its ideas on these issues.

C. Need for Effective Enforcement of Remedial Orders

Title 39 does not allow the Commission to ignore this problem any longer. Once a determination of noncompliance is made, PAEA requires Commission to treat it identically to a situation where a complaint was filed and found justified. The Commission is to "order that the Postal Service take such action as the Commission considers appropriate in order":

1. "to achieve compliance with the applicable requirements" and
2. "to remedy the effects of any noncompliance." 39 U.S.C. § 3662(c).

Furthermore, the U.S. Court of Appeals for the D.C. Circuit has ruled that once the Commission finds that a complaint is justified, it becomes "**obligated**" by section 3662(c) to provide an "**adequate remedy**," one that fully redresses the wrong both by bringing the Postal Service into compliance with the law and by remedying any effects of prior noncompliance. *See* Gamefly, Inc. v. Postal Regulatory Commission, 704 F.3d 145, 149 (D.C. Cir. 2013) (emphasis added).

In Gamefly, the Commission "issued an order finding that the Postal Service was indeed discriminating against Gamefly," in violation of 39 U.S.C. § 403(c), which, in pertinent part, requires the Postal Service to "provid[e] services and … establish[] classifications, rates, and fees" that do not "make any undue or unreasonable discrimination among users of the mails." *Id.* at 148. But the D.C. Circuit ruled that **the Commission's "remedy left much of the discrimination in place**." *Id.* at 146 (emphasis added). Indeed, the remedial order issued by the Commission in the Gamefly complaint docket, Docket No. C2009-1, was inadequate as it "could still require GameFly to 'continue to generate more than double the contribution per piece than Netflix mail.'" *Id.* at 148. The D.C. Circuit ruled that the Commission's order was "arbitrary and capricious because it **left discrimination in place** without reasonable explanation." *Id.* at 149 (emphasis added). Vacating the Commission's order, the court remanded the case "for an **adequate remedy**," instructing the Commission that it "**must** either remedy all discrimination or explain why any residual discrimination is due or reasonable under §403." *Id.* at 149 (emphasis added).

Most of the Standard Mail Flats **price increases** have been only **barely above average**,[6] with **cost reductions virtually non-existent**. As a result, in the FY 2015 ACD, the Commission ordered the Postal Service to file a report within 120 days. The filing of such a report was not intended to end the matter, as the Commission stated that it "may use the information provided [in the report] to form the basis of a **new proceeding** or **other appropriate action**." FY 2015 ACD at 182 (emphasis added). The Commission made a finding of noncompliance in the FY 2015 ACD, and indeed pointed out that it has "consistently recommended that the Postal Service improve the financial performance of flats products in" every ACD starting the FY 2008. *See id.* at 161.

The Postal Service's Flats Report of July 26, 2016 and subsequent filings have not been without value. Indeed, they conclusively prove that the remedy to underwater Standard Mail Flats cannot be found in cost cutting. A price increase for this underwater product is demanded by these facts as the violation of the FY 2010 ACD remedial order cannot be allowed to continue.

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[6] The Postal Service repeatedly stated its definition of "above average" to be a paltry 5 percent (not 5 percentage points) above average. *See, e.g.*, ACR at 26.

It must be remembered that the FY 2010 ACD pricing directive was not simply for barely above-average price increases for Standard Mail Flats and to consider ways to reduce costs in a leisurely fashion. Instead, **the directive was to increase the cost coverage for that product until it exceeds costs**. As demonstrated above, the cost reduction portion of that remedy has been nonexistent — or entirely ineffective. And as the last round of noticed prices for Standard Flats will produce a unit revenue the same as the unit revenue in FY 2014 (the last full year before the FSS pricing), the price increases which the Postal Service has been willing to implement will do nothing towards complying with the remedial order to improve cost coverage.

D. Conclusion

For seven long years, other Standard Mailers have been forced by the Postal Service to pay $4.5 billion more to cover Postal Service losses from Standard Mail Flats, and that product is no closer to 100 percent cost coverage than in FY 2010. In its ACD, the Commission must find the obvious — that the Postal Service has not improved the cost coverage of Standard Mail Flats as directed by the Commission over five years ago (and as urged by the Commission beginning eight years ago). Bare above-average price increases for Standard Mail Flats have proven inadequate in resolving the cross-subsidy, and even if considered "technical compliance," should not be treated as achieving the prime directive of the FY 2010 ACD — "to increase the cost coverage of Standard Mail Flats … until such time that the revenues for this product exceed attributable costs."

The Postal Service's ACR placed responsibility to end this illegal pricing scheme squarely back on the shoulders of the Commission one more time.[7] The Postal Accountability and Enhancement Act did not grant the Postal Service the pricing flexibility to violate a Commission remedial order. The Commission must find the Postal Service prices for Standard Mail Flats have not been in compliance for FY 2016, and must issue a remedial order that directs meaningful, actual, real, effective compliance.

II. The Coverage of HD/Saturation Letters Has Remained High as Coverage of HD/Saturation Flats & Parcels Has Declined.

The Postal Service has no retained earnings, and no money of its own to lavish through below-cost rates on those advertisers who enter their mail as Standard Mail Flats. As a result, when the Postal Service decided to skew mail pricing to the advantage of its favored corporate advertisers who enter Standard Mail Flats, it necessarily chose to artificially increase the prices for other corporate advertisers who use other Standard Mail Products — of which HD/Saturation Letters has been hardest hit.

Table II-1 compares cost coverages of HD/Saturation Letters and HD/Saturation Flats & Parcels. Generally, the cost coverage of HD/Saturation Letters has remained high — well above 200 percent — while the cost coverage of HD/Saturation Flats & Parcels has been declining and is now well below 200 percent.

In FY 2008, the coverage of HD/Saturation Flats & Parcels exceeded HD/Saturation Letters by 26.4 percentage points. Now, in FY 2016, the relationship has reversed, and

[7] "The prospects for eliminating the shortfall thereafter will depend not only on pricing and cost saving initiatives, but also on any changes made to applicable regulations **by the Commission**." ACR at 37 (emphasis added).

HD/Saturation Letters paid a 50.0 percentage point higher coverage than HD/Saturation Flats and Parcels. *See* Table II-1. Valpak can recall no discussion by the Postal Service in any docket as to whether this reversal is the result of an intentional Postal Service policy.[8]

Table II-1
Standard Mail Saturation Products
Cost Coverages
(FY 2008 – FY 2016)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
HD/Sat Letters	230.8%	216.0%	212.8%	221.2%	222.2%	235.8%	238.0%	218.5%	218.4%
HD/Sat Flats & Parcels	257.2%	239.6%	224.4%	213.6%	217.3%	229.0%	227.6%	173.3%	168.4%

Of course, some of the reason for this reversal in coverage could be the result of cost changes. For example, unit costs of HD/Saturation Flats & Parcels increased at three times the rate of increase of HD/Saturation Letters over the past four years. *See* Table II-2.

[8] For example, neither the Postal Service's October 12, 2016 Notice in Docket No. R2017-1 nor the FY 2016 ACR contain any discussion of the relative pricing of HD/Saturation Letters and HD/Saturation Flats & Parcels.

Table II-2
Standard Mail Saturation Products
Unit Costs (FY 2012-FY 2016)
(cents)

	FY 2012 Unit Costs	FY 2016 Unit Costs	FY 2012-2016 Change	Percentage Change
HD/Sat Letters	6.24	7.04	0.80	12.8%
HD/Sat Flats & Parcels	7.65	10.77	3.12	40.8%

However, rather than being rewarded for being an increasingly low-cost to handle product, HD/Saturation Letters have been penalized — being charged an exorbitant coverage. This is irrational.

Table II-3
Standard Mail Products
Percentage Non-exigent Price Increases

	R2011-2	R2012-3	R2013-1	R2013-10	R2015-4	R2017-1
HD/Sat Letters	0.615	2.298	2.059	1.325	1.979	2.211
HD/Sat Flats & Parcels	0.403	2.121	2.092	1.124	1.796	-2.226
SM Overall	1.739	2.041	2.541	1.607	1.926	0.900

Table II-3 shows that in all but one of the last five CPI-based price increases, HD/Saturation Letters received a higher percentage price increase than HD/Saturation Flats & Parcels. Although some may not believe the shift of the coverage burden to HD/Saturation Letters rises to a violation of 39 U.S.C. § 101(d), to the extent that the Commission issues a remedial order with respect to Standard Mail Flats (as discussed in Docket No. ACR2014, Valpak Initial Comments, Section VII), the Commission should provide that any offsetting price changes first move HD/Saturation Letters' prices and coverage downward, to bring it at least into parity with HD/Saturation Flats & Parcels.

CONCLUSION

The time is long past for the Commission to issue a further, much stronger remedial order which would actually remedy the pricing illegality that it has repeatedly found to exist. Significant price increases must be ordered for Standard Mail Flats, with corresponding price decreases for HD/Saturation Letters.

Respectfully submitted,

/s/

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