Congress of the United States
Washington, DC 20515

May 13, 2024

Board of Governors of the United States Postal Service
United States Postal Service
475 L' Enfant Plaza SW
Washington, DC 20260

Re: Postal Regulatory Commission Order No. 7016

Dear Members of the Board of Governors of the U.S. Postal Service:

We write in opposition to the United States Postal Service's proposal to establish a Zone 10 with significantly higher rates for certain "full network" products, including Priority Mail Express, Priority Mail, and USPS Ground Advantage, for mail destinations in Alaska, Hawaii, and the U.S. Territories. As you are aware, the Postal Regulatory Commission (PRC) found, in Order No. 7016 (Order)[1] that the proposal is "consistent with applicable law, and as a result, the Commission does not have a legally justifiable basis for rejecting the proposed changes". The PRC, however, enumerated several "substantive concerns" and strongly encouraged the USPS to give the proposal "further consideration and study…before determining whether it is prudent or necessary" to move forward. We echo the PRC's unanimous concerns, specifically, 1) the potential impact of the price increases; 2) the Postal Service's "general dismissiveness of the proposal's more wide-ranging effects" and potential unintended consequences; 3) USPS's failure to disaggregate Zone 10 costs and confirm that its assumptions are supported by the data; 4) whether the products at issue are, in fact, Competitive, given the lack of service by other carriers in some areas that will be impacted; and, perhaps most importantly, 5) whether the Zone 10 proposal will be a violation of 39 U.S. C. 403, which requires the USPS to establish fair and reasonable rates and fees and prohibits any undue or unreasonable discrimination among users of the mails.

The United States has long recognized a uniform delivery right for all Americans to access affordable postal services. On December 19, the undersigned members wrote to PRC Chairman Kubayanda, expressing similar concerns that the proposed price increases would disproportionately impact the Americans we represent living in remote and rural communities, which often have fewer or no alternatives to affordable mail and package delivery services. These proposed price changes, if adopted, would unfairly harm Americans living in Alaska, Hawaii, and the U.S. Territories and may represent an abuse of the Postal Service's pricing authority.

The PRC's Order shared our apprehension on several fronts:

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[1] *See* Order No. 7016 - Order Approving Price Adjustments and Classification Changes for Domestic Competitive Products. Postal Regulatory Commission. March 22, 2024.

I. The Lack of Consideration of the Proposal's Effect on Those Living Off-Shore

The PRC is "alarmed" at the potential impact of price increases—such as businesses reducing their willingness to ship to off-shore locations—particularly in light of "the Postal Service's demonstrated lack of an attempt to understand, much less ameliorate, the concerns raised" and its "general dismissiveness" of the proposal's wide-ranging effects and unintended consequences. This is evidenced by the Postal Service's determination that it was not necessary to conduct "market research, customer impact studies, surveys, focus groups, and/or testing with alternative prices to determine the impacts of adding Zone 10 prices" despite acknowledging that stakeholders may raise these concerns. The PRC also shares commenters' concerns that prices exceed levels of inflation and are significantly higher than current prices and the prices shippers would be paying for the same weight packages in different zones, further validating concerns regarding the effects on those living offshore and the need for further consideration of the proposal.

II. The Need for Disaggregated Zone 10 Transportation Costs

The Postal Service argues its proposal is "cost-based in nature" because transportation costs off-shore are higher than non-offshore. The PRC cannot, however, confirm this rationale without disaggregated transportation costs. Furthermore, the PRC raises concerns over the Postal Service's lack of effort to confirm this assumption and is concerned that the disaggregated data will not reflect the Postal Service's claim. Unnecessarily high costs that disproportionately affect the residents in our states and territories would raise significant fairness and discrimination concerns. As a result, the PRC directed the Postal Service to "file a rulemaking proceeding to support the methodological changes necessary to derive separate Zone 10 transportation costs for Priority Mail and USPS Ground Advantage within 90 days.

III. The Competitive Status of Zone 10 Packages

The PRC recognizes the concerns raised in our December 19 letter to the PRC and by other commenters on whether the proposed Zone 10 volumes are properly classified as a "competitive" product as opposed to a "market-dominant" product. The PRC defines "market-dominant" products as products for which the Postal Service can raise prices significantly without the risk of losing a significant level of business to other firms offering similar products. In other words, the Postal Service has a near or actual monopoly. Our states and territories already experience unique challenges in receiving mail, and a monopoly on packages exacerbates the economic and logistical challenges our constituents face. As a result, the PRC has opened a Public Inquiry[2] to examine this question in detail.

IV. The Universal Service Requirements and Undue or Unreasonable Discrimination

The PRC raises concerns that the proposal may also violate the Postal Service's statutory obligation to "provide postal services at fair and reasonable rates, serve all communities, and bind the Nation together."[3] The PRC has previously found that costs are an applicable consideration

[2] https://prc.arkcase.com/portal/docket-search/advanced/filing-details/128311
[3] 39 U.S.C. § 101(a) and 403(a)

when determining if there is "undue or unreasonable discrimination." This consideration is particularly relevant as the Postal Service claims their proposal is "cost-based in nature"; however, the above-mentioned concerns with the lack of disaggregated transportation costs provides reason to question this claim. Should the disaggregated data not support the Postal Service's cost-based justification, it may validate concerns with undue or unreasonable discrimination.

Bottom line, we repeat the Order's "concern" by the Postal Service's lack of thorough and thoughtful consideration of the Zone 10 proposal. We agree with the Order's directive that the Postal Service should give this proposal "further consideration and study in light of the overwhelming number of substantive concerns" made by stakeholders before determining if the proposal is "prudent or necessary."

Therefore, we request that the Postal Service not finalize the Zone 10 proposal or any associated price increases until it addresses each of the Order's concerns with robust stakeholder engagement and the PRC's Public Inquiry has fully determined whether or not the Postal Service's potential monopolistic package delivery services in noncontiguous states and territories and whether or not the proposal will violate 39 U.S.C. 403.

We appreciate your thoughtful review and consideration of these matters. We look forward to hearing from you in a timely manner.

Sincerely,

Dan Sullivan
United States Senator

Mazie Hirono
United States Senator

Lisa Murkowski
United States Senator

Brian Schatz
United States Senator

Mary Sattler Peltola
Member of Congress

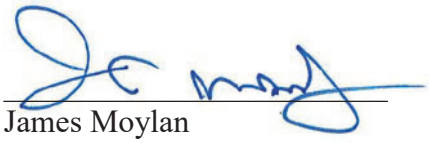
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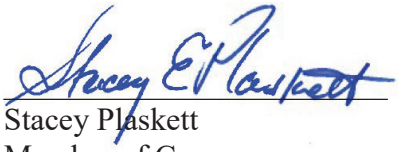
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Jenniffer González-Colón
Member of Congress

cc: Louis DeJoy, Postmaster General
Michael Kubayanda, Chairman of the Postal Regulatory Commission