

**OFFICE OF PERSONNEL  
MANAGEMENT**
**Federal Salary Council Meeting**

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice of meeting.

**SUMMARY:** The Federal Salary Council will meet on October 19, 2009, at the time and location shown below. The Council is an advisory body composed of representatives of Federal employee organizations and experts in the fields of labor relations and pay policy. The Council makes recommendations to the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget and the Office of Personnel Management) about the locality pay program for General Schedule employees under section 5304 of title 5, United States Code. The Council's recommendations cover the establishment or modification of locality pay areas, the coverage of salary surveys, the process of comparing Federal and non-Federal rates of pay, and the level of comparability payments that should be paid.

At the October 19 meeting, the Council will hear requests for changes in locality pay areas, review the results of pay comparisons and formulate its recommendations to the President's Pay Agent on pay comparison methods, locality pay rates, and locality pay area boundaries for 2011. The meeting is open to the public. Please contact the Office of Personnel Management at the address shown below if you wish to submit testimony or present material to the Council at the meeting.

**DATES:** October 19, 2009, at 10 a.m.

*Location:* Office of Personnel Management, 1900 E Street, NW., Room 1350, Washington, DC.

**FOR FURTHER INFORMATION CONTACT:** Charles D. Grimes III, Deputy Associate Director for Performance and Pay Systems, Office of Personnel Management, 1900 E Street, NW., Room 7H31, Washington, DC 20415-8200. Phone (202) 606-2838; FAX (202) 606-4264; or e-mail at [pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov).

For the President's Pay Agent.

**John Berry,**

*Director.*

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**POSTAL REGULATORY COMMISSION**

[Docket No. R2009-5; Order No. 299]

**Postal Service Incentive Pricing Program**

**AGENCY:** Postal Regulatory Commission.

**ACTION:** Notice.

**SUMMARY:** The Postal Service has prepared, and the Commission has approved, a special program offering reduced rates on certain presorted First-Class Mail. This document addresses related issues and provides pertinent details.

**DATES:** Effective September 24, 2009.

**FOR FURTHER INFORMATION CONTACT:** Stephen L. Sharfman, General Counsel, 202-789-6820 and [stephen.sharfman@prc.gov](mailto:stephen.sharfman@prc.gov).

**SUPPLEMENTARY INFORMATION:** *Regulatory History*, 74 FR 41947 (August 19, 2009).

- I. Introduction
- II. Description of the Incentive Program
- III. Comments
- IV. Commission Analysis
- V. Ordering Paragraphs

**I. Introduction**
**A. Overview**

The Postal Service proposes to offer eligible companies a 20 percent postage rebate on qualifying presorted First-Class letter, flat, and card volumes mailed between October 1, 2009 and December 31, 2009.<sup>1</sup> Under the proposal, which the Postal Service calls the First-Class Mail Incentive Program (Incentive Program), qualifying volume is defined as a single company's First-Class Mail volume over and above a predetermined threshold. Notice at 3. For reasons discussed below, the Commission approves the Incentive Program.

The Incentive Program is designed as "a short-term incentive to use the mail and stabilize or grow" presorted First-Class Mail volume in response to the current economic downturn and declining mail volumes. *Id.* The Postal Service estimates that the Incentive Program will generate additional revenue of \$43 million with a net contribution of about \$24 million. *Id.* at 7.

The Commission recognizes the serious circumstances giving rise to this

<sup>1</sup> United States Postal Service Notice of Market-Dominant Price Adjustment, August 11, 2009 (Notice) and Notice of United States Postal Service of Filing Supplemental Information, August 14, 2009 (Supplemental Notice). The latter provides a spreadsheet with additional data on the Incentive Program's financial impact. The Postal Service published implementing regulations in the **Federal Register** on September 2, 2009. See 74 FR 45325 (September 2, 2009).

proposal and finds it to be a worthwhile effort to generate new volumes of First-Class Mail, the Postal Service's flagship product. The Postal Service cites the Incentive Program as "an example of the increased flexibility provided to the Postal Service under the [PAEA]." *Id.* at 10. The Commission agrees.

The Commission must comment however, that the Postal Service's filing, including its responses to Chairman Information Requests, unnecessarily delayed this decision.<sup>2</sup> For example, the Postal Service initially failed to provide basic information needed to verify its volume and revenue projections, and it provided an imprecise and thereby confusing description of program eligibility, questionable volume assumptions, and a less-than-complete risk analysis. These problems hampered prompt Commission review.

The revamped ratemaking process mandated by the PAEA assigns complementary roles to the Postal Service and the Commission. The Postal Service's pricing flexibility with its attendant shortened review period requires that pricing adjustment filings be fully documented at submission and supported throughout the course of review to permit the Commission to analyze such filings adequately during the accelerated review periods. The failure to provide full documentation at the outset compromises the Commission's ability to thoroughly and expeditiously evaluate proposals.

The Commission's rules implementing 39 U.S.C. 3622 require filings to be fully supported. Moreover, the Commission has too frequently had to reiterate the need for Postal Service pricing proposals to be adequately supported and to adhere to accepted analytical principles. While not disqualifying in this instance, the Commission finds it necessary to underscore that future pricing adjustment filings must be fully supported and documented to enable the Commission to adequately assess their merits in timely fashion. Otherwise, the Commission will be obliged to defer action on such proposals pending the development of a more complete record.<sup>3</sup>

<sup>2</sup> The Notice was filed pursuant to 39 U.S.C. 3622, as amended by the Postal Accountability and Enhancement Act (PAEA) of 2006, and 39 CFR part 3010, the Commission's regulations governing market dominant price adjustments.

<sup>3</sup> As discussed below, the Postal Service's responses to Chairman's Information Requests, including its last, late response filed September 10, 2009, were deficient in several respects and hindered the Commission's ability to evaluate the Incentive Program fully. Although still within the statutory deadline, this order was delayed, and issued two days later than planned.