

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman;  
Dan G. Blair;  
Tony L. Hammond; and  
Nanci E. Langley

Competitive Products Price Changes  
Rates of General Applicability

Docket No. CP2011-26

ORDER APPROVING  
CHANGES IN RATES OF GENERAL APPLICABILITY  
FOR COMPETITIVE PRODUCTS

(Issued December 2, 2010)

I. INTRODUCTION

The Postal Service proposes changes in rates of general applicability for certain competitive products and related classification changes. The changes are scheduled to become effective January 2, 2011. For the reasons discussed below, the Commission approves the planned rate changes and will reflect the classification changes in the draft Mail Classification Schedule (MCS).

## II. BACKGROUND

### A. The Postal Service's Filing

On November 2, 2010, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.<sup>1</sup> The Notice also includes related mail classification changes. The Postal Service represents that, as required by the Commission's rules, 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates.

Attached to the Notice is the Governors' Decision evaluating the new prices and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.2. The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with section 3633(a) of title 39 and the Commission's rules. See 39 CFR 3015.7(c).

The Attachment to the Governors' Decision sets forth the price changes and includes a draft MCS for competitive products of general applicability. The price and classification changes follow.

*Express Mail.* Overall, Express Mail prices increase by 4.6 percent. Retail prices increase, on average, by 5.0 percent. Commercial Base prices do not change. The Commercial Plus prices decrease by 5.0 percent. The volume threshold for Commercial Plus decreases from 6,000 to 5,000 pieces of Express Mail.<sup>2</sup>

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<sup>1</sup> Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 10-4, November 2, 2010 (Notice). The Notice is available on the Commission's website, [www.prc.gov](http://www.prc.gov). Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

<sup>2</sup> Commercial Base is available to customers using an authorized postage payment method. Commercial Plus is available to customers who use an authorized postage payment method and mail over 5,000 pieces annually.

*Priority Mail.* Priority Mail prices increase by 3.5 percent overall, with average retail prices increasing by about 3.9 percent. The average increase for Commercial Base prices is 3.2 percent. Commercial Plus prices increase by 2.0 percent.<sup>3</sup>

Changes to the price structure include the following: (1) Adding price categories called Regional Rate Box and Critical Mail;<sup>4</sup> (2) adding new Legal Flat Rate Envelopes and Padded Flat Rate Envelopes, both priced at \$4.95 retail; (3) the parcel volume threshold in Commercial Plus is reduced from 100,000 to 75,000 pieces (all shapes); (4) the letter- and flat-size volume threshold in Commercial Plus is reduced from 100,000 pieces to 5,000 pieces; (5) customers who ship more than 600 Priority Mail Open and Distribute containers annually will qualify for Commercial Plus.

*Parcel Select.* Parcel Select increases, on average, by 4.4 percent. For destination entry parcels, the average price increases 8.0 percent for dropshipping at destination delivery units, 0.2 percent for parcels entered at a destination plant, and 0.6 percent for parcels entered at a destination Network Distribution Center (NDC). For nondestination-entered parcels, the average increases are 9.8 percent for origin NDC presort, 7.7 percent for NDC presort, and 7.6 percent for barcoded nonpresort.

*Parcel Return Service.* Parcel Return Service increases, on average, by 3.1 percent. Return NDC prices will increase by 0.9 percent, and the price for parcels picked up at a delivery unit will increase by 8.0 percent.

*Post Office Boxes.* Price changes for competitive boxes (52 ZIP Codes) will vary by location and will range from 21 percent to 291 percent. The Postal Service states that actual price changes for each facility will be announced in the *Postal Bulletin*.

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<sup>3</sup> Commercial Base is available to customers using an authorized postage payment method. Commercial Plus is available to customers using an authorized postage payment method and whose annual volumes exceed 75,000 pieces or 600 open and distributed containers for parcels, or 5,000 letter-size and flat-size parcels, excluding the Padded Flat Rate Envelopes.

<sup>4</sup> Critical Mail is limited to letter and flat shapes and is available to Commercial Plus customers only. Pieces must be barcoded and automation compatible. Delivery Confirmation and packaging are free. Regional Rate Boxes are available to Commercial Base and Commercial Plus customers. There are two box sizes and service is zoned. The smaller box may weigh up to 15 pounds, and the larger box up to 20 pounds. The customer is essentially paying for space (cubic volume) rather than weight.

Classification changes include removing the provision for a key deposit and adding a provision allowing a lock-replacement fee to be imposed as a late payment charge. In addition, customers who have not had box service for the last six months may obtain an initial 13 months of service for twice the semi-annual fees. Notice, Attachment to Governors' Decision, at 59, 61.

*Domestic Extra Services.* Premium Forwarding Service prices increase 5.0 percent. The weekly reshipment fee increases to \$14.75. On average, Address Enhancement Service (AES) prices increase 5.4 percent.

*International Expedited Services.* International Expedited Services, which include Global Express Guaranteed (GXG) and Express Mail International (EMI), increase by 3.2 percent. GXG service increases, on average, by 3.7 percent. A classification change allows postage payment by permit indicia. Published discounts for users of Information-based indicia (IBI) devices are eliminated.

EMI service increases, on average, by 3.1 percent. Classification changes include the introduction of a legal-size EMI Flat Rate Envelope, seven new country groups for EMI, elimination of published discounts for Express Mail Corporate Accounts and for users of IBI devices, elimination of Return Receipt service option, and combination of Mexico with the "All Other Countries" price tier for Flat Rate Envelopes.

*Priority Mail International.* Overall, Priority Mail International (PMI) prices increase, on average, by 3.8 percent. Classification changes include the introduction of several new flat rate options,<sup>5</sup> seven new country groups, and the elimination of published discounts for users of IBI devices.

*International Priority Airmail.* Published prices for International Priority Airmail increase by 3.3 percent. International Certificate of Mailing is eliminated.

*International Surface Air Lift.* Published prices for International Surface Air Lift increase by 6.4 percent.

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<sup>5</sup> Flat rate envelopes are available in the following sizes: gift card, legal, window, and small . Notice, Attachment to Governors' Decision at 75. Letter Post flat rate boxes are available in the following sizes: small DVD box, and large video box.

*Airmail M-Bags.* Published prices for Airmail M-Bags increase by 5.8 percent.

*International Ancillary Services.* Prices for insurance with EMI increase by 3.7 to 6.7 percent. Prices for insurance with PMI range from a decrease of 8.0 percent to an increase of 10.0 percent. The unique price tier for Canada when optional insurance is purchased for PMI parcels is eliminated.

*International Money Transfer Service.* Prices for paper money orders increase by 10.4 percent.

Details of these changes may be found in the Attachment to Governors' Decision No. 10-4.

The Notice also includes two additional attachments: redacted tables showing FY 2011 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, and an application for non-public treatment of the unredacted version of that table.

## B. Information Requests

In Order No. 575, the Commission gave notice of the docket, appointed a Public Representative, and provided the public with an opportunity to comment.<sup>6</sup> In addition, the Commission requested supplemental information from the Postal Service regarding FY 2011 cost, revenue, and volume data supporting the Notice. In response to the request for supplemental information, the Postal Service provides a volume and revenue forecast, a roll-forward cost model, and supporting data and calculations of the percentage change in rates for most products.<sup>7</sup>

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<sup>6</sup> Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, November 4, 2010 (Order No. 575).

<sup>7</sup> Notice of the United States Postal Service of Filing Supplemental Information Under Seal in Response to Commission Order No. 575, November 12, 2010. The Postal Service also filed a Motion of the United States Postal Service for Late Acceptance of Supplemental Information in Response to Commission Order No. 575 on November 12 and November 16, 2010. The motions are granted.

Chairman's Information Request No. 1, sought clarification of various elements of the Postal Service's planned rate changes.<sup>8</sup> In response to CHIR No. 1, the Postal Service states that although it has no FY 2009 cost data for Address Enhancement Service, Greeting Cards, Stationery, and Related Items, and Shipping and Mailing Supplies, it expects to provide FY 2010 cost data for these products in the 2010 Annual Compliance Report. The Postal Service affirms that it would not offer a product that was not expected to cover costs.<sup>9</sup>

### III. COMMENTS

*Public Representative.* The Public Representative raises concerns that increases for certain products lack adequate cost support. These include International Money Transfer Service (Outbound), AES, Greeting Cards, Shipping and Mailing Supplies, and International Ancillary Services.<sup>10</sup> In addition, the Public Representative suggests that, since competitive Post Office Boxes are all in Fee Group 1, the planned fees should be similar at all locations. *Id.* at 7.

*Associated Mail and Postal Centers and Member Companies (AMPC, et al.).* Based on a Postal Service press release (Release No. 10-103, November 2, 2010), AMPC, *et al.* express concern that the Postal Service may test consumer interest in enhancements to current Post Office Box Service without seeking authorization from the Commission.<sup>11</sup> They note that the Postal Service's filing in this proceeding "does not specifically mention P.O. Box Enhanced Services." *Id.* at 1. AMPC, *et al.* request that the Commission reiterate that any potential "enhanced services" to Post Office Box Service must be filed with the Commission prior to implementation. *Id.* at 2.

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<sup>8</sup> Chairman's Information Request No. 1, November 22, 2010 (CHIR No. 1).

<sup>9</sup> Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 1, November 29, 2010.

<sup>10</sup> PR Comments at 4-5, 9-10. The members of the mailing community that have filed comments are identified in the Attachment to this Order.

<sup>11</sup> AMPC at 1; see *also, e.g.*, Fetting Comments; Kimble Comments; Chapelle Comments.

*David B. Popkin.* Popkin voices several concerns regarding planned Post Office Box fees. Among other things, he notes that the planned fees are excessively high and not justified.<sup>12</sup> Further, he observes that the Postal Service Notice fails to provide specific box prices at affected locations, thus making it difficult for commenters to provide meaningful comments. *Id.* at 3-4. Lastly, he contends that the Postal Service's classification changes, e.g., 13 months of service for the price of 12 months, are discriminatory. *Id.* at 4-5.

#### IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the supplemental information provided by the Postal Service and the filed comments. Planned price changes for competitive products are reviewed pursuant to 39 U.S.C. 3633(a) and Commission regulations under 39 CFR part 3015. In brief, these statutory and regulatory provisions require each competitive product to cover its attributable costs (39 U.S.C. 3633(a)(2)), prohibit the subsidization of competitive products by market dominant products (39 U.S.C. 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. 39 U.S.C. 3633(a)(3).

Based on the information before it in this proceeding, the Commission finds that the planned prices in these dockets appear to satisfy the statutory and regulatory requirements of 39 U.S.C. 3633 and 39 CFR 3015.7. The related classification changes will be reflected in the draft MCS.

Competitive products as a whole are expected to contribute 7.1 percent to institutional costs in FY 2011—well in excess of the required 5.5 percent.<sup>13</sup> It follows that market dominant products are not cross-subsidizing competitive products. For a few new products, data are unavailable to determine whether their revenues would

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<sup>12</sup> Popkin Comments at 1-3.

<sup>13</sup> Notice, Attachment, Competitive Product Contribution and Cost Coverage Analysis, Fiscal Year 2011, January 2, 2011 Implementation.

cover costs in FY 2011.<sup>14</sup> As the Postal Service notes, the proposed increases will improve cost coverage. Moreover, cost data are expected to be available for FY 2010.<sup>15</sup>

With respect to Post Office Boxes, it is possible to make a crude estimate of the overall percentage change in prices. This is done by comparing average revenue per box before and after rates. The result of this calculation is an overall average price increase of 21.7 percent. (This is not a fixed-weight index.) With a price increase of this magnitude, Post Office Boxes should cover attributable costs.

In comments, AMPC, *et al.* reiterate concerns expressed in Docket No. MC2010-20 regarding enhancements to Post Office Box Service that the Postal Service may offer in the future. AMPC Comments at 1. The nature of the enhancements is not specified, either by AMPC, *et al.* or in the Postal Service's press release they cite. Nothing in the Postal Service's filing, the accompanying Governors' Decision, or the proposed MCS suggests any changes to current competitive Post Office Box Service. Thus, the issue of "enhancements" is not before the Commission. Prior to implementing any proposed ancillary P.O. Box service, the Postal Service must make an appropriate filing with the Commission affording interested persons an opportunity to comment on the change in service.

Popkin's contention that the Postal Service's sales inducement (offering a "free" 13<sup>th</sup> month of service) is discriminatory, either as to market dominant or conversely to competitive customers, is not persuasive. The services represent different markets. Moreover, if dissatisfied with the Postal Service's rates or service, customers of competitive P.O. Box service may elect service from a competitor.

Lastly, in its filing, the Postal Service's planned P.O. Box fees are presented as a range of prices, varying by box size and location. Specific fees by location were not filed. Future filings of such fees must include the specific planned fees.

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<sup>14</sup> These products are AES, Greeting Cards, and Shipping and Mailing Supplies.

<sup>15</sup> See Response to CHIR No. 1, question 2.

In conclusion, based on the record before it, the Commission finds that the planned price changes appear to satisfy the relevant statutory and regulatory requirements. The proposed classification changes will be incorporated into the draft Mail Classification Schedule.<sup>16</sup>

*It is ordered:*

The Postal Service's planned price adjustments for competitive products appear to comply with 39 U.S.C. 3633(a) and 39 CFR 3015.7.

By the Commission.

Shoshana M. Grove  
Secretary

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<sup>16</sup> As indicated in previous orders, the language suggested by the Postal Service in its filing is illustrative and subject to change in the Mail Classification Schedule that the Commission ultimately adopts.

**COMMENTERS**

<b>PARTICIPANT</b>	<b>TITLE</b>	<b>FILING DATE</b>
Altmann, Walt <b>(Altmann Comments)</b>	Comments Received from Walt Altmann Regarding Docket No. CP2011-26	November 19, 2010
Associated Mail & Parcel Centers <b>(AMPC Comments)</b>	Associated Mail & Parcel Centers (AMPC) Comments	November 9, 2010
Baker, Mary Ellen <b>(Baker Comments)</b>	Comments Received from Mary Ellen Baker Regarding Docket No. CP2011-26	November 17, 2010
Ballard, Richard <b>(Ballard Comments)</b>	Comments Received from Richard Ballard Regarding Docket No. CP2011-26	November 17, 2010
Bowden, Leslie <b>(Bowden Comments)</b>	Comments Received from Leslie Bowden Regarding Docket No. CP2011-26	November 17, 2010
Brady, Kevin <b>(Kevin Brady Comments)</b>	Comments Received from Kevin Brady Regarding Docket No. CP2011-26	November 19, 2010
Brady, Stephen J. <b>(Stephen J. Brady Comments)</b>	Comments Received from Stephen J. Brady Regarding Docket No. CP2011-26	November 19, 2010
Chapelle, Diane <b>(Chapelle Comments)</b>	Comments Received from Diane Chapelle Regarding Docket No. CP2011-26	November 19, 2010
DarcAngelo, Harold <b>(DarcAngelo Comments)</b>	Comments Received from Harold DarcAngelo Regarding Docket No. CP2011-26	November 18, 2010
Fetting, Lynn <b>(Fetting Comments)</b>	Comments Received from Lynn Fetting Regarding Docket No. CP2011-26	November 17, 2010
Hayakawa, Shigeru <b>(Hayakawa Comments)</b>	Comments Received from Shigeru Hayakawa Regarding Docket No. CP2011-26	November 19, 2010
Heiniger, Loren E. <b>(Heiniger Comments)</b>	Comments Received from Loren E. Heiniger Regarding Docket No. CP2011-26	November 18, 2010

<b>PARTICIPANT</b>	<b>TITLE</b>	<b>FILING DATE</b>
Independent Coalition of Franchise Owners <b>(ICFO Comments)</b>	Comments Received by the Independent Coalition of Franchise Owners Regarding Docket No. CP2011-26	November 17, 2010
Jenkins, Richard <b>(Jenkins Comments)</b>	Comments Received from Richard Jenkins Regarding Docket No. CP2011-26	November 18, 2010
Jones, Nollie <b>(Jones Comments)</b>	Comments Received from Nollie Jones Regarding Docket No. CP2011-26	November 17, 2010
Kelley, Michael <b>(Kelley Comments)</b>	Comments Received from Michael Kelley Regarding Docket No. CP2011-26	November 17, 2010
Kimble, Tim <b>(Kimble Comments)</b>	Comments Received from Tim Kimble Regarding Docket No. CP2011-26	November 18, 2010
Kunz, Richard A. <b>(Kunz Comments)</b>	Comments Received from Richard A. Kunz Regarding Docket No. CP2011-26	November 17, 2010
Long, Randall S. <b>(Long Comments)</b>	Comments Received from Randall S. Long Regarding Docket No. CP2011-26	November 18, 2010
MacGowan, Phil <b>(MacGowan Comments)</b>	Comments Received from Phil MacGowan Regarding Docket No. CP2011-26	November 17, 2010
Mathis, Jerry <b>(Mathis Comments)</b>	Comments Received from Jerry Mathis Regarding Docket No. CP2011-26	November 17, 2010
Murphy, John <b>(Murphy Comments)</b>	Comments Received from John Murphy Regarding Docket No. CP2011-26	November 17, 2010
Nguyen, Joseph <b>(Nguyen Comments)</b>	Comments Received from Joseph Nguyen Regarding Docket No. CP2011-26	November 18, 2010
Patel, Peter <b>(Patel Comments)</b>	Comments Received from Peter Patel Regarding Docket No. CP2011-26	November 17, 2010

<b>PARTICIPANT</b>	<b>TITLE</b>	<b>FILING DATE</b>
Phillips, Ted <b>(Phillips Comments)</b>	Comments Received from Ted Phillips Regarding Docket No. CP2011-26	November 17, 2010
Pollard, Donald W. <b>(Pollard Comments)</b>	Comments Received from Donald W. Pollard Regarding Docket No. CP2011-26	November 17, 2010
Popkin, David B. <b>(Popkin Comments)</b>	Initial Comments of David B. Popkin	November 19, 2010
Public Representative <b>(PR Comments)</b>	Comments of the Public Representative	November 19, 2010
Sanchez, Misty <b>(Sanchez Comments)</b>	Comments Received from Misty Sanchez Regarding Docket No. CP2011-26	November 17, 2010
Sisca, Margaret <b>(Sisca Comments)</b>	Comments Received from Margaret Sisca Regarding Docket No. CP2011-26	November 17, 2010
Tate, Bob <b>(Tate Comments)</b>	Comments Received from Bob Tate Regarding Docket No. CP2011-26	November 17, 2010
Thien, James <b>(Thien Comments)</b>	Comments Received from James Thien Regarding Docket No. CP2011-26	November 17, 2010
Valdespino, Joe <b>(Valdespino Comments)</b>	Comments Received from Joe Valdespino Regarding Docket No. CP2011-26	November 17, 2010
Witschen, Steven <b>(Witschen Comments)</b>	Comments Received from Steven Witschen Regarding Docket No. CP2011-26	November 17, 2010
Wynkoop, Marlene <b>(Wynkoop Comments)</b>	Comments Received from Marlene Wynkoop Regarding Docket No. CP2011-26	November 17, 2010