































































































As shown in Table III-C-6 below, the median price/cost ratios for sacks and pallets are both less than 50 percent.

**Table III-C-6**  
**Outside County Median Price/Cost Ratios Over Time**

	Price/Cost Ratios R2008-1	Price/Cost Ratios R2009-2	Price/Cost Ratios R2011-2	% Change R2008-1 to R2009-2	% Change R2009-2 to R2011-2
	(%)	(%)	(%)	(%)	(%)
Median Bundle	16%	45%	42%	178%	-6%
Median Sack	32%	39%	35%	22%	-11%
Median Pallet	34%	54%	49%	61%	-10%

*Sources:* Adapted from USPS-R2011-2/3 - Periodicals Cap Compliance, CapCalPer-FY2011.xls, Docket No. ACR2010, Responses of the United States Postal Service to Questions 1-31 of Chairman's Information Request No. 1, (Response to questions 1, 2 and 7), filed January 24, 2011, USPS-R2011-2/3 - Periodicals Cap Compliance, CapCalPer-FY2011.xls, USPS-R2009-2/3 Periodicals Cap Compliance, CapCalPer-FY2009.xls, and USPS-R2008-1-3 - Periodicals Cap Compliance, CapCalPer-FY2008.xls.

These discounts do not markedly improve the economic efficiency of Periodicals rates; however, they comply with the statutory standards and are approved.

#### 4. Additional Matter—Cost Coverage

*Valpak.* Valpak's concern in this proceeding is the Postal Service's failure to adhere to the Commission's determination that "quantitative pricing standards are at the top of the statutory hierarchy." Valpak Comments at 5. Valpak asserts that "the Postal Service has no plan to increase Periodicals coverage. It now is up to the Commission to act." *Id.* at 13. It also states that "a number of periodicals are believed to be reasonably profitable for the Postal Service, whereas others are unprofitable." *Id.* Valpak recommends the Commission issue a remedial order to implement a price increase that eliminates one-half of the coverage gap this year, and that eliminates the coverage gap altogether next year. *Id.* at 12-13. Valpak also specifies that the price

increase should not be an “across-the-board” increase, but should be “as selective as possible.” *Id.* at 14. It makes this recommendation because an across-the-board increase would harm the publications that are profitable, and fail to place sufficiently high price increases on publications that are very unprofitable. *Id.* at 13. Lastly, if the Commission, using its authority, is unable to help Periodicals achieve full cost coverage, Valpak recommends that the Commission should suggest Congress consider an appropriation for Periodicals to make up the shortfall. *Id.* at 14.

*Commission analysis.* The Commission recognizes that the Periodicals class has not covered attributable costs over the past year, and will not do so under the Postal Service’s planned adjustments. The Commission also recognizes, as stated in connection with the worksharing discussion, that the Postal Service’s stated pricing objective of keeping increases “around the average” impedes progress toward full cost coverage as it fails to more fully realize the efficiencies in the revised Periodicals structure. Nonetheless, the rates as proposed satisfy the requirements of 39 U.S.C. 3622(d) and are approved.

#### D. Package Services

The Package Services class contains five products: single-piece Parcel Post; Bound Printed Matter Flats (BPM Flats); Bound Printed Matter Parcels (BPM Parcels); Media Mail/ Library Mail; and Inbound Surface Parcel Post (at UPU rates).<sup>28</sup>

##### 1. Price Increases

The percentage change in prices for Package Services is, on average, 1.740. This creates a component of new unused rate authority of 0.001 percent. The other component is the interim rate authority of -0.577 percent. Thus, the new unused rate authority from the instant proceeding is -0.576 percent.<sup>29</sup> The sum of all unused rate adjustment authority for Package Services, from the instant price adjustment and previous price adjustments, now equals -0.551 percent.

In FY 2010, the Package Services class failed to cover its costs. *Id.* at 20. The Postal Service justifies the proposed rate increases by identifying its overall goal as to improve product profitability. The greatest price increases are for Media/Library Mail, single-piece Parcel Post, and BPM Parcels, none of which covered its costs in FY 2010.

---

<sup>28</sup> Prices for Inbound Surface Parcel Post (at UPU rates) are determined by the Universal Postal Union and are not under the control of the Postal Service.

<sup>29</sup> See PRC-R2011-2-LR4 for calculations.

**Table III-D-1**  
**Pass-throughs for Outside County Periodicals**

Package Services Product	Rate Change (%)	FY 2010 Cost Coverage (%)
Single-Piece Parcel Post	1.807	82.1
BPM Flats	0.707	147.2
BPM Parcels	1.982	92.1
Media/Library Mail	1.964	80.4
Inbound Surface Parcel Post	1.531	148.6

The Postal Service proposes an above average increase of 1.964 percent for Media Mail/Library Mail, but notes that the product remains priced below other ground parcels. Notice at 20.

BPM Flats had a cost coverage of 147.2 percent in FY 2010. Therefore, the Postal Service proposes a below average price increase of 0.707 percent to offset the need for higher price increases for products that did not cover costs in the class. *Id.* at 21. The Postal Service states that this should encourage mailing of lower-cost, flat-shaped, heavy-weight catalogs, and continue the shape-based deaveraging that was begun in Docket No. R2001-1. *Id.*

BPM Parcels had a below 100 percent cost coverage in FY 2010. The Postal Service proposes an above average price increase of 1.982 percent. *Id.*

The Postal Service proposes a 1.807 percent price adjustment<sup>30</sup> for single-piece Parcel Post. It also proposes to allow prices at the one-pound increment to vary by

---

<sup>30</sup> In Response to CHIR No. 1, question 8, the Postal Service provided corrected single-piece Parcel Post workpapers. In addition, the Postal Service explained in its Response to CHIR No. 1, Question 10, that the single-piece Parcel Post Pickup on Demand revenues should be included in the single-piece Parcel Post workpapers. The Commission workpapers titled “PRC-R2011-2-LR4” incorporate these corrections. These corrections do not have a significant effect on the percentage

zone removing the pricing constraint for unzoned pricing. *Id.* The Postal Service states that removing this pricing constraint at the one-pound weight increment leads to higher prices for more distant zones. *Id.*

## 2. Workshare Discounts

### a. Media/Library Mail

All Media/Library Mail pass-throughs are at or below 100 percent, except for 5-digit presort discounts.<sup>31</sup> *Id.* at 44. The Postal Service justifies these excessive pass-throughs under 3622(e)(2)(C). *Id.* The proposed price increase is not large enough to reduce pass-throughs to 100 percent, however the increase will lower the pass-throughs from levels reported in the FY2010 ACR.

### b. BPM Flats and BPM Parcels

All BPM Flats and BPM Parcels workshare discounts are equal to or less than their avoided costs. *Id.* at 45. For discounts with less than a 100 percent pass-through the Postal Service proposes to leave prices unchanged, but plans to re-evaluate whether these discounts should be increased in its next general price adjustment. *Id.*

*Comments.* No commenter opposed the planned price increases for Package Services.

---

change in rates for single-piece Parcel Post, which is unchanged from the Postal Service's original calculation of 1.807 percent.

<sup>31</sup> In the Postal Service's Response to CHIR No. 1 Question 12, the Postal Service filed Media/Library Mail mail processing avoided cost models using the Commission approved methodologies. The Postal Service's initial filing incorporates changes proposed by the Postal Service in Docket No. RM2011-5, Proposal Twelve, which remains pending before the Commission. Using Commission approved methodologies results in the pass-through for Media Mail 5-digit decreasing from 119 percent to 117 percent and the Library Mail 5-digit pass-through decreasing from 113 percent to 111 percent. The Postal Service's section 3622(e)(2)(C) justification for these excessive pass-throughs still applies.

*Commission analysis.* The Commission finds that the rates for Package Services comply with 39 U.S.C. 3622(d).

## E. Special Services

### 1. Introduction

The Special Services class includes 12 products: (1) Ancillary Services<sup>32</sup>; (2) Address Management Services<sup>33</sup>; (3) Caller Service; (4) Change-of-Address Credit Card Authentication Service; (5) Confirm Service; (6) Customized Postage; (7) International Ancillary Services<sup>34</sup>; (8) International Reply Coupon Service; (9) International Business Reply Mail Service; (10) Money Orders; (11) Post Office Box Service; and (12) Stamped Fulfillment Services.

### 2. Price Increases

For the Special Services class, the Postal Service proposes an average price increase of 1.739 percent.<sup>35</sup> At the time of the filing, the Postal Service had 1.741 percent in inflation-based price adjustment authority.<sup>36</sup> Thus, for Special Services, the price increases in the instant proceeding create one component of new unused rate

---

<sup>32</sup> Ancillary Services product contains 22 services: (1) Address Correction Service; (2) Applications and Mailing Permits; (3) Business Reply Mail; (4) Bulk Parcel Return Service; (5) Certified Mail; (6) Certificate of Mailing; (7) Collect on Delivery; (8) Delivery Confirmation; (9) Insurance; (10) Merchandise Return Service; (11) Parcel Airlift; (12) Registered Mail; (13) Return Mail; (14) Return Receipt for Merchandise; (15) Restricted Delivery; (16) Shipper-Paid Forwarding; (17) Signature Confirmation; (18) Special Handling; (19) Stamped Envelopes; (20) Stamped Cards; (21) Premium Stamped Stationery; and (22) Premium Stamped Cards.

<sup>33</sup> The Address Management Services product contains 34 services that ensure address elements and address lists are correct and up-to-date.

<sup>34</sup> The International Ancillary Services product contains the following four services: (1) International Certificate of Mailing; (2) International Registered Mail; (3) International Return Receipt; and (4) International Restricted Delivery.

<sup>35</sup> The figure has been revised since the Postal Service filed its request on January 13, 2011. See United States Postal Service Notice of Errata to USPS-R2011-2/5 (January 26, 2011), which shows that the average price increase is 1.738 percent. Also see Library Reference PRC-R2011-2/LR5, which explains a minor error in the Excel worksheet for the Stamped Envelopes service. Once corrected, the average price increase for Special Services increases from 1.738 percent to 1.739 percent.

<sup>36</sup> For the instant proceeding, the Postal Service chose not to use any unused rate authority.

authority of 0.002 percent. The other component is the interim rate authority of -0.577 percent. Thus, the new unused rate adjustment authority from this proceeding is -0.575 percent. Therefore, the total unused rate authority equals -0.438 percent (0.052 percent from Docket No. R2008-1; 0.085 percent from Docket No. R2009-2; and -0.575 from Docket No. R2011-2).

Table III-E-1 displays the average price increase given to each product.

**Table III-E-1**  
**Special Services Price Adjustment**

Special Services Product	Rate Change (%)
Ancillary Services	1.55
Address Management Services	1.69
Caller Service/ Reserve Number	4.78
Change-of-Address Credit Card Authentication	0.00
Confirm	2.81
Customized Postage	0.00
Money Orders	0.33
PO Boxes	2.22
Stamp Fulfillment Services	0.00
International Ancillary Services	0.00
International Business Reply Mail	0.00
International Reply Coupon Service	0.00
Source: USPS-R2011-2/5, Revised January 26, 2011.	

Table III-E-1 shows that the Postal Service proposes a substantially above average increase for one product (Caller Service/Reserve Number) and no increases for five products (Change-of-Address Credit Card Authentication, Stamp Fulfillment Services, International Ancillary Services, International Business Reply Mail, and International Reply Coupon Service).

*Comments.* No Commenter opposed the planned price increases for Special Services.

*Commission Analysis.* The Commission finds that the proposed rates for Special Services are consistent with 39 U.S.C. 3622(d).

### 3. Classification Changes

The Postal Service proposes two classification changes for the Special Services class. No commenters opposed the planned classification changes.

*Stamped Envelopes.* The Postal Service proposes to eliminate stamped envelope offerings bearing Standard Mail stamps due to increased alternatives and decreased customer demand. Notice at 46. In Docket No. R2010-4, the Postal Service argued that the small volume of envelopes that are sold make it infeasible to continue offering this version of stamped envelopes.<sup>37</sup> Further, the Postal Service stated that it has to produce the envelopes in quantities that are “so small that the costs exceed the price charged, or produce excessive amounts of the envelopes which end up taking up excessive storage space and being damaged before they can be sold.”<sup>38</sup>

*PO Box service.* The Postal Service proposes to modify the MCS language for the PO Box service. Notice at 46. The Post Service proposes to conform the PO box lock replacement language in 1550.1 to the classification language for the Competitive PO Box product. In Docket No. CP2011-26, the Commission approved the Competitive PO Box classification modification that added a provision that a lock replacement fee could be charged to customers who pay their renewal fees late.<sup>39</sup>

---

<sup>37</sup> Docket No. R2010-4, Statement of James M. Kiefer on Behalf of the United States Postal Service at 53 (July 6, 2010).

<sup>38</sup> *Id.*

<sup>39</sup> Docket No. CP2011-26, PRC Order No. 603 at 4 (December 2, 2010).

*Commission analysis.* The Commission approves the proposed mail classifications changes for the Special Services class. The Commission finds that the explanation for eliminating Stamped Envelopes that bear Standard Mail stamps is persuasive. In addition, the classification change for the PO Box lock replacement service is consistent with the classification language for the Competitive PO Box service.

#### IV. ORDERING PARAGRAPHS

It is ordered:

1. The price adjustments are within the annual limitation on changes in rates set forth in 39 U.S.C. 3622(d) and 39 CFR 3010.11 and 3010.28.
2. The price adjustments properly reflect the statutory preferences set forth in 39 U.S.C. 3626.
3. The workshare discounts either satisfy the requirements of 39 U.S.C. 3622(e), or fall within an enumerated exception to those requirements, and may take effect.
4. Except to the extent granted or otherwise disposed of herein, all outstanding requests in Docket No. R2011-2 hereby are denied.

By the Commission.

Ruth Ann Abrams  
Acting Secretary

CONCURRING OPINION OF CHAIRMAN GOLDWAY

I am troubled by the Postal Service's disregard for the regulatory procedures established and often reiterated by the Commission, particularly with regard to the reliance on an unapproved costing methodology in this case. I believe the workshare discounts that the Postal Service has proposed continue to allow for inefficiencies in mail processing. However, I concur with my colleagues that meeting the price cap requirements is of primary importance.

A handwritten signature in black ink, reading "Ruth Y. Goldway", is centered on the page. The signature is written in a cursive style with a large initial "R".

---

Chairman Ruth Y. Goldway

<b>PARTICIPANT</b>	<b>TITLE</b>	<b>FILING DATE</b>
American Catalog Mailers Association <b>(ACMA)</b>	Comments of the American Catalog Mailers Association	February 2, 2011
Association for Postal Commerce <b>(PostCom)</b>	Comments of the Association for Postal Commerce	February 2, 2011
Bank of America Corporation <b>(BAC)</b>	Comments of Bank of America Corporation	February 2, 2011
DHL Global Mail <b>(DHL)</b>	Comments of DHL Global Mail	February 3, 2011
Greeting Card Association <b>(GCA)</b>	Comments of the Greeting Card Association	February 2, 2011
L.L.Bean, Inc. <b>(LLB)</b>	Comments of L.L.Bean, Inc.	February 2, 2011
Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers <b>(MPA/ANM)</b>	Comments of Magazine Publishers of America, Inc. and Alliance of Nonprofit Mailers	February 2, 2011
National Postal Policy Council <b>(NPPC)</b>	Comments of the National Postal Policy Council	February 2, 2011
Parcel Shippers Association & Direct Marketing Association, Inc. <b>(PSA/DMA)</b>	Comments of Parcel Shippers Association & Direct Marketing Association, Inc. on the Planned Price Adjustments for Market Dominant Products and Related Mail Classification Changes	February 2, 2011

PARTICIPANT	TITLE	FILING DATE
Pitney Bowes, Inc. <b>(Pitney Bowes)</b>	Comments of Pitney Bowes, Inc.	February 2, 2011
David B. Popkin <b>(Popkin)</b>	Initial Comments of David B. Popkin	January 14, 2011
	Additional Comments of David B. Popkin	January 28, 2011
Public Representative <b>(PR)</b>	Public Representative Comments in Response to United States Postal Service Notice of Market-Dominant Price Adjustments	February 2, 2011
	Public Representative Notice of Errata to Comments in Response to United States Postal Service Notice of Market-Dominant Price Adjustments	February 8, 2011
Publishers Clearing House <b>(PCH)</b>	Comments on Docket No. R2011-2: USPS Notice of Market-Dominant Price Adjustment	February 2, 2011
Stamps.com <b>(Stamps.com)</b>	Comments of Stamps.com	February 2, 2011
United States Postal Service <b>(USPS)</b>	Response of United States Postal Service to Comments of Public Representative	February 11, 2011
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc. <b>(Valpak)</b>	Comments on the United States Postal Service Notice of Price Adjustment	February 2, 2011