

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES
INBOUND MARKET DOMINANT EXPRESS SERVICE AGREEMENT 1
(MC2010-35)
NEGOTIATED SERVICE AGREEMENT

Docket No.
R2011-6

**MOTION FOR PARTIAL RECONSIDERATION OF CHAIRMAN'S INFORMATION
REQUEST NO. 1 AND ORDER NO. 3457, OR, IN THE ALTERNATIVE, MOTION FOR
EXTENSION OF TIME TO SUBMIT RESPONSE OF THE UNITED STATES POSTAL
SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(June 8, 2017)

On June 1, 2017, the Postal Regulatory Commission (Commission) issued
Chairman's Information Request (ChIR) No. 1 in this proceeding,¹ in which the
Commission directed the Postal Service to provide the additional information requested
in Ordering Paragraph 2 of Order No. 3457. That passage states the following:

The Postal Service shall file workpapers in future filings that include
the following: volume, revenue, and cost data, disaggregated by
country of origin, for each component of remuneration gathered in
accordance with Annex 6 of the Existing Agreement, as modified.²

The Postal Service respectfully requests that the Commission reconsider the ChIR, as
well as Ordering Paragraph 2 of Order No. 3457, for the following reasons.

First, it is unclear why the financial information requested in the ChIR is needed
when the changes that prompted the ChIR are inconsequential to the financial
performance of the agreement. The ChIR was issued in response to the Postal
Service's filing on May 31, 2017, of an update concerning the Inbound Market Dominant

¹ Chairman's Information Request No. 1, Docket No. R2011-6, June 1, 2017, at 1.

² PRC Order No. 3457, Order Approving Modification of Express Service Agreement, Docket No. R2011-6, August 8, 2016, at 7.

Exprès Service Agreement 1.³ The ChIR states “[t]o assist the Commission in its review of the Postal Service’s May 31, 2017 filing, [footnote omitted] the Postal Service is requested to provide the information previously specified in Order No. 3457.”⁴

However, the purpose of the Postal Service’s May 31, 2017 filing was

to inform the Commission of two recent additional versions [v6.1 and v.7.0] of the Postal Service’s Annex 2 to the Inbound Market Dominant Exprès Service Agreement 1 that set forth the delivery times (targets) for the Postal Service under the Agreement – a corrected version [of v6.0] that went into effect on June 1, 2016 [v6.1], [footnote omitted] as well as a revised version that is scheduled to go into effect on June 1, 2017 [v7.0], which adds a tab to include a Postal Service International Service Center office of exchange used under the bilateral agreement between Hongkong Post and the Postal Service.⁵

In footnote 4 of the Postal Service’s May 31, 2017 filing, the Postal Service noted that the revision to v6.0⁶ that is included in v6.1 of the Postal Service’s Annex 2 to the Inbound Market Dominant Exprès Service Agreement 1 that went into effect on June 1, 2016, “is merely format-based and did not change the delivery times (targets) for the Postal Service set forth in v6.0 in any way.”⁷ In addition, the Postal Service does not consider that the version (v7.0) of the Postal Service’s Annex 2 to the agreement that went into effect on June 1, 2017 changes the delivery times (targets) for the Postal Service set forth in v6.0 in any way. Therefore, in the Postal Service’s May 31, 2017 filing in this docket, the Postal Service stated that it did not consider it necessary to

³ Notice of United States Postal Service Providing Update Concerning Inbound Market Dominant Express Service Agreement 1, Docket No. R2011-6, May 31, 2017.

⁴ Chairman’s Information Request No. 1, Docket No. R2011-6, June 1, 2017, at 1.

⁵ Notice of United States Postal Service Providing Update Concerning Inbound Market Dominant Express Service Agreement 1, Docket No. R2011-6, May 31, 2017, at 1-2.

⁶ v6.0 was included in the Postal Service’s July 7, 2016 filing in this docket. See Notice of United States Postal Service Providing Update concerning Express Service Agreement, Docket No. R2011-6, at 2.

⁷ Notice of United States Postal Service of Providing Update concerning Inbound Market Dominant Exprès Service Agreement 1, Docket No. R2011-6, May 31, 2017, at 4, n.4.

include revised financial workpapers with its May 31, 2017 filing, “because the two updated versions of the Postal Service’s Annex 2 included [in the] filing do not affect the net financial effect of the Inbound Market Dominant Express Service Agreement 1.”⁸ Order No. 3457, as well as the more recent ChIR, do not explain what circumstances would prompt the need for additional financial information, and do not identify under which circumstances the Postal Service should file financial information in this docket in the future. In the absence of further guidance, it is unclear why financial information is needed when the changes that prompted the ChIR are inconsequential to the financial performance of the agreement.

Second, the requested information is not only duplicative of the annual reporting requirements set forth in the Annual Compliance Report (ACR), see 39 U.S.C. § 3652 and 39 C.F.R. § 3050.21, but also exceeds those requirements. As background, the Inbound Express Service Agreement 1 is listed as a product in section 1602.4 of the Mail Classification Schedule.⁹ Each inbound flow from each country under the Inbound Market Dominant Express Service Agreement 1 is a revenue stream, and not a product, and therefore reporting concerning each inbound flow from each country under the agreement exceeds the reporting requirements in 39 C.F.R. § 3050.21. The Postal Service intends to report information on the agreement at the product level through the ACR, and thus furnishing financial information at this juncture would be duplicative. Additionally, Order No. 3457 and the ChIR direct the Postal Service to “file workpapers in future filings that include the following: volume, revenue, and cost data,

⁸ Id. at 2.

⁹ See PRC, Mail Classification Schedule, posted January 22, 2017 (with revisions through April 4, 2017), available at <https://www.prc.gov/mail-classification-schedule>.

disaggregated by country of origin, for each component of remuneration gathered in accordance with Annex 6 of the Existing Agreement, as modified.”¹⁰ There should be nothing unique or exceptional about inbound PRIME shipments from any single country of origin, as all flows are subject to the same rates; hence, there is no compelling reason to disaggregate PRIME data by reporting separately for each country flow. Indeed, under longstanding practice, as well as the Commission’s rules, reporting of product financial information is performed at the product level, not at the country-specific level. 39 C.F.R. § 3050.21 states that:

- (a) No later than 90 days after the close of each fiscal year, the Postal Service shall submit a report to the Commission analyzing its cost, volume, revenue, rate, and service information in sufficient detail to demonstrate that all products during such year comply with all applicable provisions of title 39 of the United States Code. The report shall provide ...
- (b) The volume and revenue generated by each product;
- (c) The attributable costs of, and the contribution to institutional costs made by, each product; ...
- (f) For each market dominant negotiated service agreement:
 - (1) Identify its rates and service features;
 - (2) Estimate its costs, volumes, and revenue....¹¹

The additional requirement for the Postal Service to provide volume, revenue, and cost data “disaggregated by country of origin, for each component of remuneration,” is inordinately burdensome, and exceeds the scope of reporting at the product level.

Third, the Postal Service notes that the cost coverage for the Inbound Market Dominant Express Service Agreement 1 is exceptionally healthy. In good faith, the Postal Service reasonably believes that there have been no changes in circumstances that might cause the agreement’s cost coverage to change significantly.

¹⁰ PRC Order No, 3457, at 7; Chairman’s Information Request No. 1, Docket No. R2011-6, June 1, 2017, at 1.

¹¹ 39 C.F.R. § 3050.21

Taking into consideration the relatively small amount of revenue generated by the Inbound Market Dominant Express Service Agreement 1 and the complexities related to reporting concerning the agreement, the Postal Service respectfully requests that the Commission reconsider the ChIR and Ordering Paragraph 2 of Order No. 3457. The Postal Service respectfully requests that it continue to provide cost, revenue, and volume data concerning the Inbound Market Dominant Express Service Agreement 1 within the course of the ACR process. Of course, should the agreement change in a material that would affect the cost coverage, the Postal Service understands its obligation to provide the Commission with any modification or successor agreement accompanied by supporting financial information.

Thus, for the above reasons, the Postal Service respectfully requests that the Commission reconsider the ChIR and Order No. 3457 so as to not require the production of financial information in this instance, and not require the production of country-specific data in any case. The Postal Service also asks that the Commission clarify Order No. 3457 by describing the circumstances when financial data are required, apart from regular reporting under the ACR or when the agreement changes in a material way as to affect its financial performance. In the alternative, if the Commission insists on the production of the requested data, the Postal Service respectfully requests an extension of time of six weeks from the date of the Commission disposition of the instant notice, to submit its response to the Information Request. The requested extension of time will allow time to gather and analyze the pertinent information, and allow for sufficient time for internal review.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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