

ORDER NO. 4032

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

Before Commissioners:

Robert G. Taub, Chairman;  
Mark Acton, Vice Chairman;  
Tony Hammond; and  
Nanci E. Langley

Competitive Products Price Changes  
Rates of General Applicability

Docket No. CP2017-230

ORDER APPROVING PRICE ADJUSTMENT FOR FIRST-CLASS PACKAGE  
SERVICE PRODUCT

(Issued August 9, 2017)

I. INTRODUCTION

The Postal Service proposes prices of general applicability for additional services to be added to the First-Class Package Service product.<sup>1</sup> The changes are scheduled to become effective September 3, 2017. Notice at 3. The Commission approves the proposed price changes and updates the Mail Classification Schedule (MCS) accordingly.

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<sup>1</sup> Notice of the United States Postal Service of Changes in Rates of General Applicability for a Competitive Product, Established in Governors' Decision No. 16-9, July 28, 2017 (Notice). See also Docket No. MC2015-7, Order Conditionally Approving Transfer, July 20, 2017 (Order No. 4009).

## II. BACKGROUND

On July 20, 2017, the Commission conditionally approved—pending proposal, review, and approval of prices—the transfer of the First-Class Mail Retail (Single-Piece) price category from the market dominant product list by adding identical services to the existing First-Class Package Service product appearing on the competitive product list. Order No. 4009 at 41.

On July 28, 2017, the Postal Service filed notice with the Commission proposing such prices. Notice. The Postal Service represents that, as required by 39 C.F.R. § 3015.2, the Notice includes an explanation and justification, the effective date of the new prices, and a schedule of the new prices. *Id.* at 2-3.

Attached to the Notice is the Governors' Decision establishing the new prices and classification changes in accordance with 39 U.S.C. §§ 3632 and 3633 and 39 C.F.R. § 3015.7.<sup>2</sup> Governors' Decision No. 16-9 provides an analysis of the competitive products' price changes intended to demonstrate that the changes comply with 39 U.S.C. § 3633(a) and 39 C.F.R. part 3015.

Attached to Governors' Decision No. 16-9 is the draft MCS language (MCS Attachment) for prices of general applicability for competitive products. Notice, Attachment A at 3. The MCS Attachment shows the proposed prices. *Id.*

The Notice also includes two additional attachments: (1) a redacted table that shows Fiscal Year 2017 projected volumes, revenues, attributable costs, contribution, and cost coverage for First-Class Package Service, assuming implementation of new prices on September 3, 2017<sup>3</sup>; and (2) a redacted table that shows current and proposed prices for each rate cell.<sup>4</sup> The Notice also includes an application for non-

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<sup>2</sup> Notice, Attachment A at 1-2 (Governors' Decision No. 16-9). 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. The Postal Service represents that it will send the Governors' Decision and record of proceedings to the *Federal Register* for publication. Notice at 3.

<sup>3</sup> Notice, Attachment B.

<sup>4</sup> Notice, Attachment C.

public treatment of the unredacted version of the annex to the Notice and other supporting materials filed under seal.<sup>5</sup>

On July 31, 2017, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>6</sup>

### III. COMMENTS

The Public Representative filed comments on August 7, 2017.<sup>7</sup> No other interested person filed comments. Having reviewed the Notice and the supporting materials, the Public Representative concludes that the Commission should approve the proposed rates. PR Comments at 2. She states that the First-Class Package Service product should continue to generate sufficient revenue to cover costs, therefore meeting the requirements of 39 U.S.C. § 3633(a). *Id.*

### IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the supporting data filed under seal, and the Public Representative's comments. Because First-Class Package Service is a competitive product, the Postal Service must show that the new prices cover the attributable costs of the new services being added to the product, do not cause market dominant products to subsidize competitive products as a whole, and contribute to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the new services exceeds their attributable costs, the proposed prices are unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products

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<sup>5</sup> Notice, Attachment D.

<sup>6</sup> See Docket No. MC2017-162, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 31, 2017.

<sup>7</sup> Public Representative Comments in Response to the Postal Service Notice of Changes in Rates of General Applicability for a Competitive Product, August 7, 2017 (PR Comments).

as a whole to contribute an appropriate share of institutional costs. In other words, if the new services cover their attributable costs, the proposed prices are likely to comply with 39 U.S.C. § 3633(a).

The Commission finds that the proposed prices are projected to generate sufficient revenue to cover the attributable costs of the new services added to the First-Class Package Service product. The Commission, therefore, concludes that the new competitive prices and proposed MCS language incorporating the new prices comply with 39 U.S.C. § 3633(a).

In conclusion, the Postal Service may implement the new prices as scheduled. The new prices will be incorporated into the MCS. The conditions of Order No. 4009 have been met, *i.e.*, prices for the new services to be offered as part of the First-Class Package Service product have now been proposed, reviewed, and approved. See Order No. 4009 at 41. Accordingly, the Postal Service may now complete the transfer of the First-Class Mail Retail (Single-Piece) price category from the market dominant product list to the competitive product list by the addition of identical services to the existing First-Class Package Service competitive product.

## V. ORDERING PARAGRAPHS

*It is ordered:*

1. The proposed prices may take effect as scheduled.
2. The conditions imposed by Order No. 4009 on the transfer of the First-Class Mail Retail (Single-Piece) price category have been met. The Postal Service may complete the transfer as discussed in that order. The revisions to the competitive product list and Mail Classification Schedule appearing in that order are effective September 3, 2017.

3. Additional revisions to the Mail Classification Schedule appear below the signature of this Order and are effective September 3, 2017.

By the Commission.

Stacy L. Ruble  
Secretary

Supplemental Views of Commissioner Langley

## SUPPLEMENTAL VIEWS OF COMMISSIONER NANCI E. LANGLEY

In reviewing the Postal Service's proposal under the statutory requirements for competitive products, I concur that these rates comport. However, I continue to be concerned about this transfer because the Postal Service did not provide sufficient evidence demonstrating that it lacks market power as specified in 39 U.S.C. § 3642(b)(1) and did not comply with the statutory requirements of 39 U.S.C. § 3642.<sup>1</sup>

Nanci E. Langley

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<sup>1</sup> See Docket No. MC2015-7, Order No. 4009, Order Conditionally Approving Transfer, July 20, 2017, Dissenting Opinion of Commissioner Nanci E. Langley.

## CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

### Part B—Competitive Products 2125 First-Class Package Service

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#### 2125.6 Prices

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##### Retail<sup>1</sup>

<u>Maximum Weight (ounces)</u>	<u>Single-Piece (\$)</u>
<u>1</u>	<u>3.00</u>
<u>2</u>	<u>3.00</u>
<u>3</u>	<u>3.00</u>
<u>4</u>	<u>3.00</u>
<u>5</u>	<u>3.16</u>
<u>6</u>	<u>3.32</u>
<u>7</u>	<u>3.48</u>
<u>8</u>	<u>3.64</u>
<u>9</u>	<u>3.80</u>
<u>10</u>	<u>3.96</u>
<u>11</u>	<u>4.19</u>
<u>12</u>	<u>4.36</u>
<u>13</u>	<u>4.53</u>

#### Notes

1. A handling charge of \$0.01 per piece applies to foreign-origin, inbound direct entry mail tendered by foreign postal operators, subject to the terms of an authorization arrangement.

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