

ORDER NO. 4933

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

Before Commissioners:

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

Competitive Product Prices
Inbound Parcel Post (at UPU Rates)

Docket No. CP2019-43

ORDER ACKNOWLEDGING CHANGES IN PRICES FOR
INBOUND PARCEL POST (AT UPU RATES)

(Issued December 19, 2018)

I. INTRODUCTION

The Postal Service proposes a change in prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) rates), effective January 1, 2019.¹ The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).

II. BACKGROUND

Inbound Parcel Post (at UPU rates). At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates), and Application for Non-Public Treatment, December 10, 2018, at 1-2 (Notice).

Inbound Air Parcel Post to the competitive product list.² In 2009, Inbound Air Parcel Post was bifurcated.³ In Order No. 362, the existing product, Inbound Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU rates). Order No. 362 at 8-9. The Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU rates), to the competitive product list. *Id.* An initial review of the new product's prices indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU rates).⁴

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU rates) from the market dominant product list to the competitive product list; (2) merge the transferred product with Inbound Air Parcel Post (at UPU rates); and (3) identify the merged product as Inbound Parcel Post (at UPU rates).⁵ An initial rate review indicated compliance with statutory requirements. Order No. 2160 at 7. As part of Order No. 2160, Inbound Air Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at UPU rates) were merged into a single product identified as Inbound Parcel Post (at UPU rates). *Id.*

On January 11, 2017, the Commission approved the Postal Service's request to include parcels in the e-commerce delivery category (ECOMPRO parcels) as part of the

² Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100 (Order No. 43).

³ See Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014, at 5 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. Order No. 2102 at 5. In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU rates). *Id.* at 5-6. The Postal Service states that it filed updated information as directed by Order No. 2102. Notice at 5-6; see Docket Nos. MC2017-58 and CP2017-86, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 30, 2016, at 5 (Order No. 3716).

⁵ Docket No. MC2014-28, Order Approving Product List Transfer, August 19, 2014, at 8 (Order No. 2160).

Inbound Parcel Post (at UPU rates) product.⁶ ECOMPRO allows other UPU-designated postal operators and the Postal Service to mutually consent to the UPU's e-commerce delivery options. Order No. 3748 at 5. On August 28, 2017, the Commission approved new ECOMPRO prices.⁷ These ECOMPRO prices went into effect on January 1, 2018. Order No. 4070 at 6. The Postal Service adjusted these ECOMPRO prices and these new prices will go into effect on January 1, 2019.⁸

Initial Commission action. On December 10, 2018, the Postal Service filed notice announcing its intention to change prices not of general applicability for Inbound Air and Surface Parcel Post mailpieces within the Inbound Parcel Post (at UPU rates) product, effective January 1, 2019. Notice at 1. On December 11, 2018, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁹

III. PROPOSED PRICE CHANGE

The Postal Service filed separately under seal with the Commission the prices and supporting documents it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5. See Notice at 3. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. A redacted version of UPU IB Circular 138, dated October 1, 2018, which sets the new prices for Inbound Air and Surface Parcel Post mailpieces, is included as Attachment 2. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 3. Redacted excerpts of Postal Service data used by the UPU to justify bonus

⁶ Docket Nos. MC2017-58 and CP2017-86, Order Approving in Part Classification Changes for Inbound Parcel Post (at UPU Rates), January 11, 2017, at 7 (Order No. 3748).

⁷ See *generally* Docket No. CP2017-267, Order Approving Changes in Prices Not of General Applicability for Certain Inbound Parcel Post (at UPU Rates), August 28, 2017 (Order No. 4070).

⁸ See *generally* Docket No. CP2018-286, Order Approving Changes in Prices Not of General Applicability for Certain Inbound Parcel Post (at UPU Rates), August 23, 2018 (Order No. 4792).

⁹ Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), December 11, 2018 (Order No. 4919).

payments are included as Attachment 4. A copy of the Postal Service's submission to the UPU in support of an inflation-linked adjustment is included as Attachment 5. A redacted copy of Governors' Decision No. 18-2 is included as Attachment 6.

The Postal Service states that prices were established by the terms of Governors' Decision No. 18-2, issued October 25, 2018. Notice at 2. The Postal Service asserts that Inbound Parcel Post (at UPU rates) should generate sufficient revenue to cover costs and satisfy the requirements of 39 U.S.C. § 3633(a)(2).¹⁰

V. COMMENTS

The Public Representative filed comments on December 18, 2018.¹¹ No other comments were received. Based on her review, including the financial model, the Public Representative concludes that the prices for the Inbound Parcel Post (at UPU rates) product satisfy the requirements of 39 U.S.C. § 3633(a). PR Comments at 2.

VI. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative's comments. The Commission finds that the prices presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Accordingly, the

¹⁰ See *id.* at 5. The Postal Service notes that this filing does not concern the rates for ECOMPRO parcels. *Id.* at 2 n.3.

¹¹ Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU Rates), December 18, 2018 (PR Comments).

planned inward land rates for Inbound Air Parcel Post (at UPU rates) and Inbound Surface Parcel Post (at UPU rates) should satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Additionally, as outlined in Order No. 2102, in future filings regarding price changes for Inbound Parcel Post (at UPU rates), the Postal Service must provide a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

VII. ORDERING PARAGRAPHS

It is ordered:

1. The Commission acknowledges the planned price changes for Inbound Air and Surface Parcel Post mailpieces within the Inbound Parcel Post (at UPU rates) product.
2. Consistent with Order No. 2102, the Postal Service is directed to provide, in future filings concerning prices for Inbound Air and Surface Parcel mailpieces within the Inbound Parcel Post (at UPU rates) product, a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted.

By the Commission.

Ruth Ann Abrams
Acting Secretary