

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

Before Commissioners:

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

Public Inquiry on the  
Classification of the  
Inbound Letter Post Product

Docket No. PI2018-1

ORDER CLOSING DOCKET

(Issued March 5, 2019)

I. INTRODUCTION

On July 12, 2018, the Commission established this proceeding to examine the Postal Service's claims that the Inbound Letter Post product<sup>1</sup> is subject to competition and to consider issues related to the classification of the Inbound Letter Post product and parts thereof.<sup>2</sup>

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<sup>1</sup> As defined in section 1130 of the Mail Classification Schedule.

<sup>2</sup> Notice and Order Initiating Public Inquiry on the Classification of the Inbound Letter Post Product, July 12, 2018, at 1, 7 (Order No. 4708).

## II. BACKGROUND

In Docket Nos. R2018-1 and ACR2017, the Postal Service repeatedly claimed that Inbound Letter Post is subject to “considerable,” “substantial,” and “intense” competition, especially Inbound Letter Post small packets.<sup>3</sup> Despite these claims of competition, the Postal Service acknowledged that the Inbound Letter Post product is on the market dominant product list and that it had not requested to transfer all or part of the Inbound Letter Post product to the competitive product list. Docket No. ACR2017 Motion for Reconsideration at 6. In Docket No. ACR2017, the Postal Service stated that it explored the potential transfer of Inbound Letter Post small packets from the market dominant to the competitive products list. *Id.* However, the Postal Service stated that one obstacle to transferring all or part of the Inbound Letter Post product from the market dominant product list to the competitive product list related to the “inability to separate Inbound Letter Post that is subject to the Private Express Statutes [(PES)] from Inbound Letter Post that is not subject to the PES.” *Id.*

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<sup>3</sup> See Docket No. ACR2017, United States Postal Service Motion for Reconsideration of Order No. 4451, April 6, 2018, at 4 (Docket No. ACR2017 Motion for Reconsideration) (“Inbound Letter Post is subject to substantial competition.”); Docket No. ACR2017 Motion for Reconsideration at 8-9 (citing filings in other Commission proceedings that allege the private sector competes in the Inbound Letter Post market); *id.* at 10 (“the vast majority of Inbound Letter Post mail faces substantial competition”); *id.* at 12-13 (“existing market research regarding inbound package volume, which is included in Nonpublic Attachment 1, illustrates the intense competition for Inbound Letter Post faced by the Postal Service and foreign postal operators.” (footnote omitted)); Docket No. ACR2017, Response of the United States Postal Service to Order No. 4409, February 23, 2018, at 5 (small packets “already face considerable competition today.” (footnote omitted)); *id.* at 6 (“the Postal Service operates in a competitive market for inbound international shipping, which includes inbound small packets containing merchandise.” (footnote omitted)); *id.* at 6 n.13 (“Not only are Inbound Letter Post packets subject to considerable competition, but bulk international letter and flat mail can be subject to competition as well.”); Docket No. ACR2017, United States Postal Service Notice of Filing Nonpublic Folder USPS-FY17-NP40 and Application for Nonpublic Treatment, February 14, 2018, Attachment at 2 (CHIR No. 15 Application for Non-Public Treatment) (“Not only are Inbound Letter Post packets (E Format) subject to considerable competition, but bulk international letter and flat mail (P and G Format) can be subject to competition as well.”); *id.* at 3 (“The Postal Service is just one of the participants operating in the competitive market for inbound international shipping, which includes inbound small packets containing merchandise.”); Docket No. R2018-1, United States Postal Service Answer in Opposition to U.S. Chamber of Commerce Motion to Unseal Library Reference and Motion to Request Issuance of Information Request, October 23, 2017, at 4 (“inbound letter post . . . face[s] significant competition from private sector competitors and Extraterritorial Offices of Exchange[.] The competitive nature of the international market, particularly with respect to . . . inbound letter post packets weighing 4.4 pounds or less, is well established.” (footnote omitted)).

These claims raised the question of whether Inbound Letter Post should be wholly or partially transferred from the market dominant product list to the competitive product list. As a result, the Commission initiated this proceeding to evaluate these issues.

### III. PROCEDURAL HISTORY

Concurrently with the initiation of this proceeding, the Commission issued an information request designed to gather information so that it could better understand the Inbound Letter Post product and the market in which it resides.<sup>4</sup> The Postal Service responded to CIR No. 1 on August 1, 2018.<sup>5</sup> On September 13, 2018, the Commission issued a second information request;<sup>6</sup> which the Postal Service responded to on October 5, 2018.<sup>7</sup> On November 2, 2018, Chairman's Information Request No. 1 was issued.<sup>8</sup> The Postal Service filed its response to CHIR No. 1 on November 16, 2018.<sup>9</sup>

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<sup>4</sup> Commission Information Request No. 1, July 12, 2018 (CIR No. 1).

<sup>5</sup> Responses of the United States Postal Service to Questions 1-11 of Commission Information Request No. 1, August 1, 2018. On July 24, 2018, the Postal Service requested an extension of time to respond to CIR No. 1. See Motion of the United States Postal Service for Extension of Time to File Responses to Commission Information Request No. 1, July 24, 2018. The Commission granted this request on July 25, 2018. Order Granting Motion for Extension of Time, July 25, 2018 (Order No. 4727). The Postal Service also filed an errata relating to its responses to CIR No. 1. United States Postal Service Notice of Errata Concerning Responses of the United States Postal Service to Questions 1-11 of Commission Information Request No. 1, October 4, 2018.

<sup>6</sup> Commission Information Request No. 2, September 13, 2018 (CIR No. 2).

<sup>7</sup> Responses of the United States Postal Service to Questions 1-6 of Commission Information Request No. 2, October 5, 2018. The Postal Service also filed a motion for late acceptance of its response to CIR No. 2. United States Postal Service Motion for Late Acceptance of Responses of the United States Postal Service to Questions 1-6 of Commission Information Request No. 2, October 5, 2018. The motion is granted.

<sup>8</sup> Chairman's Information Request No. 1, November 2, 2018 (CHIR No. 1).

<sup>9</sup> United States Postal Service Response to Chairman's Information Request No. 1, November 16, 2018.

#### IV. TRANSFER REQUEST FOR INBOUND LETTER POST SMALL PACKETS AND BULKY LETTERS

On November 16, 2018, the Postal Service requested that Inbound Letter Post small packets and bulky letters, and inbound registered service associated with such items, be transferred from the market dominant to the competitive product list.<sup>10</sup> In its request, the Postal Service asserted that the new Inbound Letter Post Small Packets and Bulky Letters product fulfills all of the criteria for competitive products under 39 U.S.C. § 3642. See Docket No. MC2019-17 Request at 5-8. Specifically, the Postal Service stated that mailers use Inbound Letter Post small packets and bulky letters to ship goods as an alternative to competitive parcel products offered by the Postal Service or private delivery service companies and that such mailers have multiple postal and commercial options. *Id.* at 5, 7. Additionally, the Postal Service noted that its “share of the relevant market falls below the threshold for market dominance.” *Id.* at 7. The Postal Service did not propose prices for the Inbound Letter Post Small Packets and Bulky Letters product but expects such prices to be “fully remunerative and provide healthy contribution to institutional costs[,]” and satisfy 39 U.S.C. § 3633(a)(1) and (2). *Id.* at 9. The Postal Service stated that it expects the transfer to be effective when self-declared prices go into effect or as otherwise determined by the Postal Service Board of Governors. *Id.*

The Commission conditionally approved the proposed transfer of Inbound Letter Post small packets and bulky letters, and associated inbound registered services.<sup>11</sup> The Commission’s approval is subject to three conditions. Order No. 4980 at 19. The first condition is that the Postal Service files a notice of price adjustment for the Inbound Letter Post Small Packets and Bulky Letters product and associated inbound registered mail services that contains sufficient justification that the proposed prices will satisfy 39

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<sup>10</sup> Docket No. MC2019-17, United States Postal Service Request to Transfer Inbound Letter Post Small Packets and Bulky Letters, and Inbound Registered Service Associated with Such Items, to the Competitive Product List, November 16, 2018 (Docket No. MC2019-17 Request).

<sup>11</sup> Docket No. MC2019-17, Order Conditionally Approving Transfer, January 9, 2019 (Order No. 4980).

U.S.C. § 3633(a) and 39 C.F.R. part 3015. *Id.* The second condition is that the Commission issues an order finding that the proposed prices satisfy the applicable statutory and regulatory requirements. *Id.* The final condition is that the transfer is not effective until the price adjustments approved in the subsequent order go into effect. *Id.*

## V. CONCLUSION

The Commission initiated this public inquiry docket to examine the Postal Service's claims of competition and to consider issues related to the classification of the Inbound Letter Post product and parts thereof. Order No. 4708 at 1, 7. During the pendency of this proceeding, the Postal Service requested the transfer of Inbound Letter Post small packets and bulky letters, which the Commission conditionally approved. *See generally* Order No. 4980. The Commission examined and considered the Postal Service's claims of competition and the classification of Inbound Letter Post and parts thereof and the public had an opportunity to comment upon such issues in Docket No. MC2019-17. Accordingly, because the Commission considered the issues that it intended to examine in this public inquiry docket in Docket No. MC2019-17, this docket is hereby closed.

*It is ordered:*

Docket No. PI2018-1 is hereby closed.

By the Commission.

Stacy L. Ruble  
Secretary