

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Competitive Product Prices
Inbound E-Format Letter Post

Docket No. CP2019-155

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued May 30, 2019)

To clarify the Postal Service's notice of rates not of general applicability for Inbound E-Format Letter Post, filed May 20, 2019,¹ the Postal Service is requested to provide a written response to the following questions. The responses are due no later than June 7, 2019.

1. Please refer to the mail processing, delivery, other, air transportation, and surface transportation costs in Excel file "Inbd Packts.xlsx," tab "02_Inputs," cells C13:G13, and Excel file "Inbd Packts – Adj for Group IV.xlsx," tab "02_Inputs," cells C13:G13. The source indicated for these costs is Docket No. ACR2018, Library Reference USPS-FY18-NP2 - FY 2018 International Cost and Revenue Analysis (ICRA) Report (Revised 2/11/19), February 11, 2019. Please provide links to the specific cells in the ICRA that contain the mail processing, delivery, other, air transportation, and surface transportation costs for inbound packets. Please provide a crosswalk or links if necessary.
2. Please refer to Excel file "Inbd Packts.xlsx," tab "05_Unit," column F and column G, and Excel file "Inbd Packts – Adj for Group IV.xlsx," tab "05_Unit," column F and column G. Please confirm that the minimum and maximum revenue does

¹ Notice of the United States Postal Service of Rates of not of General Applicability for Inbound E-Format Letter Post, and Application for Non-Public Treatment, May 20, 2019 (Notice).

not incorporate applicable bonuses or penalties based on the Postal Service's CY 2018 UPU Quality of Service Link service performance. If not confirmed, please explain.

- a. If confirmed, please provide revised financial workpapers that include minimum and maximum revenue based on the Postal Service's CY 2018 UPU Quality of Service Link service performance.
 - b. If confirmed, please quantify any potential forfeited or bonus revenue based on the Postal Service's CY 2018 UPU Quality of Service Link performance scores using both the minimum and maximum rates.
3. Please refer to Excel file "Inbd Packts.xlsx" and Excel file "Inbd Packts – Adj for Group IV.xlsx." The Postal Service "proposes that a small proportion of E-format item volume dispatched by some of the world's least developed countries that send letter post below certain annual tonnage thresholds (known as "Group IV" countries) would be subject to generally lower terminal dues established in the UPU Convention." Notice at 10.
- a. Please specify the annual tonnage threshold below which the terminal dues established in the UPU Convention would apply in lieu of the proposed range of rates in the instant docket.
 - b. Please indicate whether the threshold could potentially increase or decrease in future years.
 - c. Please quantify the contribution and cost coverage from Group IV countries: (1) if the minimum and maximum proposed rates are applied to all Group IV countries; and (2) if the current terminal dues rates in the UPU Convention are applied to Group IV countries with annual tonnage below the threshold the Postal Service identifies in response to question 2.a. above.

- d. Please provide the percentage of Group IV revenue from foreign postal operators in Group IV with annual tonnage below the threshold.
4. The Postal Service states that it is cognizant of the need to ensure that E-Format volume is not remailed through Group IV countries in order to avoid the higher self-declared rates. *Id.* at 10-11. Please describe the specific steps the Postal Service will take to detect and prevent such remail.
5. The Postal Service states that it anticipates that it will be able to institute the proposed rates for E-Format items whether or not the United States is a member of the UPU. *Id.* at 5. Please compare costs the Postal Service will incur for the exchange of international mail if the United States remains a member of the UPU and if the United States does not remain a member of the UPU.
6. The Postal Service proposes to specify, subsequent to the Commission's favorable review of the range of rates, the exact rates that will apply to Inbound E-Format Letter Post within this range. *Id.* at 1-2.
 - a. Please discuss whether the Postal Service intends to apply the same per-item and per-kilogram rates to all foreign postal operators, with the possible exception of countries in Group IV with annual tonnage under a certain threshold, or whether the Postal Service intends to apply different rates within the range to different foreign postal operators.
 - b. If the Commission approves the proposed range of rates, please identify when the Postal Service expects to notify the Commission of the specific rates.
 - c. If the Commission approves the proposed range of rates, please identify when the Postal Service intends for the rates to take effect.
 - d. If the Commission approves the proposed range of rates, please identify the duration for which the rates will be in effect.

7. To justify limiting the proposed rates to foreign postal operators, the Postal Service asserts that the proposed rates are designed for volume that concentrates at a handful of select international gateways that are designed to facilitate international mail exchange with foreign postal operators that do not employ domestic postage payment techniques, thereby necessitating a per-item and per-kilogram methodology. *Id.* at 13-14.
- a. Please explain why non-postal operators² could not hand over their inbound international items to the Postal Service at these select gateways in the same manner that they do for domestic mail to access the proposed rates.
 - b. Please discuss whether or not non-postal operators that are unable or unwilling to employ domestic postage payment techniques should be able to pay rates with per-piece and per-kilogram components.
8. To justify limiting the proposed rates to foreign postal operators, the Postal Service asserts that the rates are designed for the profile of foreign postal operators and that “foreign postal operators are believed to dispatch all of their E-format volume destined for the United States to the Postal Service.” *Id.* at 14. The Postal Service further asserts that “controls against cream-skimming abuses by private operators that have different profiles and that do not dispatch all of their E-format volume destined for the United States to the Postal Service would be difficult to manage.” *Id.*
- a. Please identify the sources used to develop the assertion that foreign postal operators, particularly commercialized or privatized foreign postal operators in major countries, dispatch all of their E-Format volume

² Non-postal operators may include international private carriers, consolidators, and large foreign e-commerce merchants with the capability to organize their own transportation.

destined for the United States to the Postal Service. Please provide all documentation used to develop this assertion.

- b. Please identify the sources used to develop the assertion that some non-postal operators do not dispatch all of their E-Format volume destined for the United States to the Postal Service. Please provide all documentation used to develop this assertion.
 - c. Please identify the sources used to develop the assertion that the traffic profiles of E-Format volume destined for the United States from foreign postal operators is different from the profile of non-postal operators. Please provide all documentation used to develop this assertion.
 - d. Please specify the mail profile for inbound mail from non-postal operators that would be necessary to access rates offered to foreign postal operators.
 - e. Please discuss the risks of cream-skimming created by offering the proposed rates to non-postal operators.
 - f. Please explain whether the same risks of cream-skimming would be created by offering the proposed rates to foreign postal operators in major countries, many of which are commercialized or privatized and operate on a regional or global level.
9. The Postal Service indicates that foreign postal operators rely on a degree of simplicity that is driven by more limited capabilities and the need for uniformity to ensure that universal service can be provided throughout the world, but that these capability limitations do not generally serve as practical barriers for private carriers. *Id.*
 - a. Please confirm that there is diversity in the capabilities of foreign postal operators.
 - b. Please explain how the capabilities of foreign postal operators differ.
 - c. Please discuss how capability limitations serve as barriers for postal operators.

- d. Please discuss whether all foreign postal operators have more limited capabilities than private carriers.
 - e. Please explain why a simple rate structure should only be offered to operators with limited capabilities.
10. The Postal Service explains that the minimum rates in the proposed range generally correspond to the Postal Service's commercial rates for First-Class Package Services and Priority Mail, taking into account both the published and negotiated service agreement rates paid by commercial mailers for those rates. *Id.* at 9. Please identify requirements that foreign postal operators would have to meet to qualify for rates in the proposed range and explain how these requirements compare to those for First-Class Package Services Retail and Commercial, Priority Mail Retail and Commercial, and current Negotiated Service Agreements.

By the Chairman.

Robert G. Taub