

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

COMPETITIVE PRODUCT PRICES
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH
FOREIGN POSTAL OPERATORS
INTERCONNECT REMUNERATION AGREEMENT – UNITED STATES
POSTAL SERVICE AND SPECIFIED POSTAL OPERATORS
(MC2010-34)
NEGOTIATED SERVICE AGREEMENT

Docket No.
CP2020-141

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(June 3, 2020)

The United States Postal Service (Postal Service) hereby responds to
Chairman's Information Request No. 1, issued on May 27, 2020. The questions are
stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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June 3, 2020

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1. Please refer to the Presidential Memorandum "Modernizing the Monetary Reimbursement Model for the Delivery of Goods Through the International Postal System and Enhancing the Security and Safety of International Mail."¹ The Presidential Memorandum states that the policy of the executive branch shall be, *inter alia*, to support efforts that further "setting rates charged for delivery of foreign-origin mail in a manner that does not favor postal operators over non-postal operators."² The Interconnect Remuneration Agreement USPS and Specified Postal Operators limits potential parties to the contract to designated operators, as defined by the Universal Postal Union.³ Notice, Attachment 2 at 1. Please explain how this limitation achieves the objectives of the Presidential Memorandum.

RESPONSE:

In the present case, the counterparties to the Interconnect Remuneration Agreement are certain designated operators under the Universal Postal Convention that are also parties to an operational agreement among UPU designated operators administered in part by the International Post Corporation.⁴ The Postal Service certainly has the statutory authority to enter into such operational and commercial agreements.⁵ When the Commission last year considered the fact that the UPU inbound E-format letter post rates would similarly be available only to certain UPU designated operators, the Postal Service explained in some detail how differences between designated operators and other providers could justify limiting a particular offering to designated operators without

¹ Presidential Memorandum for the Secretary of State, Secretary of the Treasury, Secretary of Homeland Security, Postmaster General, and Chairman of the Postal Regulatory Commission, August 23, 2018, available at: <https://www.whitehouse.gov/presidential-actions/presidential-memorandum-secretary-state-secretary-treasury-secretary-homeland-security-postmaster-general-chairman-postal-regulatory-commission/> (Presidential Memorandum).

² Presidential Memorandum Sec. 2(d)(ii).

³ See Universal Postal Convention, Article 1.12, available at:

http://www.upu.int/uploads/tx_sbdowloader/actInThreeVolumesManualOfConventionEn.pdf.

⁴ See Attachment 2 to Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-service Agreement with Foreign Postal Operators, Docket No. CP2020-141, May 15, 2020, at Att. 2 (page 1).

⁵ 39 U.S.C. § 407(d).

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necessarily creating an unreasonable discrimination or preference.⁶ These differences include, for example, the reciprocal services that foreign designated operators provide to the Postal Service for U.S.-origin mail.⁷ Further, the Public Representative acknowledged that significant differences between the items tendered by designated operators and other providers could reasonably justify limiting certain offerings to the designated operators.⁸

In any event, as was the case with respect to the UPU inbound E-format letter post rates,⁹ the Postal Service is able to negotiate commercial agreements with other providers for similar rates upon materially similar terms and conditions, depending on factors such as volume, average weight per piece, weight range, availability and payment for ancillary services, and entry profile. That is, the Postal Service can entertain requests to negotiate such contracts from foreign shippers that seek to dispatch similar items upon similar terms that account for the particular nature and characteristics of the traffic being tendered. The Public Representative has considered that approach to be a viable means to address any concerns over equity between treatment of designated operators and non-operators,¹⁰ and the Commission likewise found that the willingness to negotiate such service agreements with other providers tended to render any claim of unreasonable discrimination speculative and premature.¹¹

⁶ See Order Approving Range of Rates for Inbound Letter Post Small Packets and Bulky Letters and Associated International Registered Mail Service, Order No. 5152, Docket No. CP2019-155, July 12, 2019, at 21-22; see also Responses of the United States Postal Service to Questions 1-10 of Chairman's Information Request No. 1, Docket No. CP2019-155, June 7, 2019, at 12-19.

⁷ Id. at 12-13.

⁸ See Order No. 5152 at 22.

⁹ See id.

¹⁰ Id.

¹¹ Id. at 23.

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There is no reason to deviate from that approach with respect to the Interconnect Remuneration Agreement now before the Commission.

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2. Please see Attachment, filed under seal.

RESPONSE:

Please see Non-public Response, filed under seal.¹²

¹² The Commission filed Question nos. 2-12 of this ChIR No. 1 under seal. The Postal Service therefore also files these questions and their respective responses under seal. Revised versions of all of the financial workpapers accompany this Response; redacted copies are being filed publicly and unredacted copies are being filed under seal. A new Certification for these revised financial workpapers is attached at the end of this Response. The Postal Service further incorporates by reference the Application for Non-public Treatment of Materials that it filed in this case. See Notice of the United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with Foreign Postal Operators, Docket No. CP2020-141, May 15, 2020, at Attachment 1 (Application of United Postal Service for Non-Public Treatment of Materials).

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3. Please see Attachment, filed under seal.

RESPONSE:

Please see Non-public Response, filed under seal.

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4. Please see Attachment, filed under seal.

RESPONSE:

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5. Please see Attachment, filed under seal.

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6. Please see Attachment, filed under seal.

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7. Please see Attachment, filed under seal.

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11. Please see Attachment, filed under seal.

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12. Please see Attachment, filed under seal.

RESPONSE:

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**Certification of Prices for Inbound Competitive Multi-service Agreement
With Foreign Postal Operators**

I, Nan K. McKenzie, Manager of Pricing Innovation, Finance Department, United States Postal Service, am familiar with the inbound competitive prices for the “Interconnect Remuneration Agreement USPS and Specified Postal Operators” (referred to as the “IRA-USPS Agreement”) executed in 2020. The prices contained in the IRA-USPS Agreement were established in accordance with the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates (Governors’ Decision No. 19-1), issued on February 7, 2019.

I hereby certify that the cost coverage for the IRA-USPS Agreement has been appropriately determined and represents the best available information. The rates are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The rates demonstrate that the IRA-USPS Agreement should cover its attributable costs and preclude the subsidization of competitive products by market-dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from the IRA-USPS Agreement should be much smaller. The IRA-USPS Agreement should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

Nan K. McKenzie

Digitally signed by Nan K. McKenzie
DN: cn=Nan K. McKenzie, o, ou=Manager,
Pricing Innovation,
email=nan.k.mckenzie@usps.gov, c=US
Date: 2020.06.03 12:31:54 -04'00'

Nan K. McKenzie

Date