

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

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Competitive Product Prices
Inbound Parcel Post (at UPU Rates)

Docket No. CP2021-47

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

(Issued December 22, 2020)

I. INTRODUCTION

On December 11, 2020, the Postal Service filed notice announcing its intention to change prices not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) Rates) effective January 1, 2021.¹ The Commission analyzes the proposed prices pursuant to 39 U.S.C. § 3633(a).

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 11, 2020, at 1-2 (Notice).

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 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

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. *Id.* 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 4-5; 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).

(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.*

In Order No. 4933, the Commission directed the Postal Service to include a citation to the relevant UPU International Bureau (IB) Circular; a copy of the relevant IB Circular; and an update to the inflation-linked adjustment for inward land rates previously submitted, with each future filing regarding price changes for the Inbound Parcel Post (at UPU Rates) product.⁶

Initial Commission action. On December 11, 2020, the Postal Service filed notice announcing its intention to change prices not of general applicability for the Inbound Parcel Post (at UPU Rates) product, effective January 1, 2021. Notice at 1. On December 14, 2020, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁷

III. PROPOSED PRICE CHANGE

The Postal Service filed separately under seal with the Commission the prices and supporting documents that it represents show compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3035.107. Notice at 2. The Postal Service's Application for Non-Public Treatment of those materials is included in the Notice as Attachment 1. *Id.* at 2. A redacted version of UPU IB Circular No. 148, dated October 12, 2020, which sets the new air and surface parcel rates within the Inbound Parcel Post (at UPU Rates) product, is included as Attachment 2. *Id.* at 2-3. The certified statement required by 39 C.F.R. § 3035.105(c)(2) is included as Attachment 3. *Id.* at 3. Redacted excerpts of Postal Service data used by the UPU to justify bonus payments are included as Attachment 4. *Id.* A copy of the Postal Service's submission to the UPU in support of

⁶ Docket No. CP2019-43, Order Acknowledging Changes in Prices for Inbound Parcel Post (at UPU Rates), December 19, 2018, at 5 (Order No. 4933).

⁷ Notice and Order Concerning Changes in Rates for Inbound Parcel Post (at UPU Rates), December 14, 2020 (Order No. 5780).

an inflation-linked adjustment is included as Attachment 5. *Id.* A redacted copy of Governors' Decision No. 19-1 is included as Attachment 6. *Id.*

The Postal Service states that prices are authorized by the terms of Governors' Decision No. 19-1, issued February 7, 2019. *Id.* at 1-2. 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). *Id.* at 5.

IV. COMMENTS

The Commission received comments from the Public Representative on December 21, 2020.⁸ No other interested party filed comments. The Public Representative states that "prices for the Inbound Parcel Post (at UPU Rates) product should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a)." PR Comments at 2. For that reason, she "recommends that the Commission approve the rates for Inbound Parcel Post (at UPU Rates)." *Id.*

V. 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 notes that the Postal Service errantly included volumes in its workpapers for several countries with which it has a bilateral or multilateral agreement to exchange parcel post outside the UPU remuneration system. In the instant docket, the Commission confirms that removal of

⁸ Public Representative Comments on Changes in Prices for Inbound Parcel Post (at UPU Rates), December 21, 2020 (PR Comments).

Inbound Parcel Post (at UPU Rates) volumes from these countries from the financial workpapers would not negatively impact cost coverage. In future filings, the Postal Service should ensure that volumes of Inbound Parcel Post (at UPU Rates) from designated operators with which they have a bilateral or multilateral agreement to exchange parcel post are not included in the financial workpapers for the Inbound Parcel Post (at UPU Rates) product.

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 planned rates for the Inbound Parcel Post (at UPU Rates) product satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3035.107.

IV. ORDERING PARAGRAPH

It is ordered:

The Commission acknowledges the planned price changes for Inbound Air and Surface Parcel Post mailpieces within the Inbound Parcel Post (at UPU Rates) product.

By the Commission.

Erica A. Barker
Secretary