

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

SECTION 407 PROCEEDING

Docket No. IM2020-1

**COMMENTS OF THE UNITED STATES POSTAL SERVICE**  
(May 14, 2021)

The United States Postal Service (“Postal Service”) respectfully submits these Comments in response to Order Nos. 5450, 5524, & 5858 of the Postal Regulatory Commission (“Commission”). In Order No. 5450, the Commission solicited public comment in anticipation of the Commission’s submission of its views to the United States Department of State under 39 U.S.C. § 407(c)(1).

As an initial matter, the Commission’s submission should refrain from opining on issues that are beyond the scope of 39 U.S.C. § 407(c)(1). On March 6, 2020, the U.S. Department of State issued a letter asking the Commission for its “views on the consistency of proposals to amend rates or classifications for market dominant products or services within the Universal Postal Convention that will be considered at the upcoming 27<sup>th</sup> Universal Postal Union (UPU) Congress with the standards and criteria established by the Commission under 39 U.S.C. § 3622.”<sup>1</sup>

Pursuant to 39 U.S.C. § 407(c)(1) and the request of the Department of State, the Commission has jurisdiction to review only a UPU Convention change proposal that: (1) is to be considered at the upcoming 27<sup>th</sup> UPU Congress; (2) would create or amend the UPU Convention; and (3) would establish “a rate or classification for” a market-

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<sup>1</sup> Letter from Nerissa J. Cook, Deputy Assistant Secretary, Bureau of International Organization Affairs, U.S. Dep’t of State, to Robert G. Taub, then-Chairman, Postal Regulatory Comm’n, March 6, 2020.

dominant postal product. Anything else is beyond the scope of the Commission's authority under 39 U.S.C. § 407(c)(1).

On January 1, 2020, the transfer of Inbound Letter Post Small Packets and Bulky Letters from the market dominant product list to the competitive product list took effect.<sup>2</sup> Accordingly, to the extent that the UPU proposals concern Inbound Letter Post Small Packets and Bulky Letters, also known in the UPU as "E-format" letter post, they are beyond the scope of 39 U.S.C. § 407(c)(1). Likewise, to the extent that the proposals pertain to other competitive products,<sup>3</sup> they are also beyond the scope of 39 U.S.C. § 407(c)(1).

By contrast, Inbound Letter Post letters and flats remain market dominant products.<sup>4</sup> These are also known in the UPU as P- and G-format letter post. Accordingly, to the extent that proposals for the 27<sup>th</sup> UPU Congress would establish a rate or classification for P- and G-format letter post, then such proposals are within the scope of this proceeding.

The Commission has posted certain UPU proposals in this docket, including proposals that would establish terminal dues for 2022-2025.<sup>5</sup> To the extent that they set rates for E-format letter post items or other competitively classified products, they are beyond the scope of this proceeding. With respect to the proposals to the extent that they would establish terminal dues for market dominant products (and, in particular, P-

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<sup>2</sup> Mail Classification Schedule (MCS) § 2340; see Order No. 5372.

<sup>3</sup> See, e.g., MCS § 2330 (M-Bags); id. §§ 2615.2, 2340.5 (registered service on competitive international products such as small packets).

<sup>4</sup> MCS § 1130.

<sup>5</sup> Posted proposals are numbered 20.18.1, 20.28.1.Rev 1 (which replaced 20.28.1), 20.29.1, and 20.30.1. These proposals would establish terminal dues, except Proposal 20.18.1. Proposal 20.18.1 would require operators to offer tracking service for inbound priority and airmail letter post.

and G-format letter post), they are generally reasonable. The United States has generally advocated for UPU terminal dues to move towards cost coverage for letter- and flat-shaped postal items. Though the Postal Service would have preferred accelerated improvements in cost coverage, and advocated for more aggressive increases in letter and flat rates, the UPU has elected to take incremental steps towards improving cost coverage. Indeed, the proposals would appear to provide roughly for increases in Inbound Letter Post (letters and flats) revenue of at least 5.5% in each of the four years of the present UPU cycle over the current annual revenue, for an aggregate increase of over 24% during the four-year period. The UPU has focused on harmonization of terminal dues among groups in the proposals for the present cycle with a view towards further improvements for P- and G-format letter post in the next UPU Congress cycle. With such a focus, and cognizant of the need for incremental reform, the UPU approach as a whole appears to be consistent with the Commission's standards and criteria for market dominant products under 39 U.S.C. § 3622.<sup>6</sup> Accordingly, the Commission should express that view to the Department of State.

### **Conclusion**

For the foregoing reasons, the Commission should refrain from opining on issues that are beyond the scope of 39 U.S.C. § 407(c)(1), and of the request of the Department of State dated March 6, 2020, pursuant to 39 U.S.C. § 407(c)(1). For example, the Commission should refrain from expressing views on proposals that would affect the rates or classifications for E-format letter post items, given that those items have been competitively classified since January 1, 2020, or for other competitively

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<sup>6</sup> See, e.g., 39 U.S.C. § 3622(b)(5) (seeking to assure the Postal Service of adequate revenue to maintain financial stability).

classified products. With respect to the pending UPU proposals that would establish rates or classifications for market dominant products letters and flats (P- and G-format letter post items), the Commission should opine that they are generally consistent with the Commission's standards and criteria under section 3622.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business &  
Service Development

Jeffrey A. Rackow  
Attorney

475 L'Enfant Plaza, SW  
Washington, DC 20260-1101  
(202) 268-6687; Fax -5418  
jeffrey.a.rackow@usps.gov  
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