

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Outbound Single-Piece First-Class
Package International Service

Docket No. MC2021-91

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST FOR CLASSIFICATION CHANGES CONCERNING
OUTBOUND SINGLE-PIECE FIRST-CLASS PACKAGE INTERNATIONAL SERVICE

(May 25, 2021)

I. INTRODUCTION

Pursuant to 39 C.F.R. §3040.180, the Postal Service requests Commission approval of proposed revisions to the competitive product description in section 2335.1 of the Mail Classification Schedule (MCS), which concerns Outbound Single-Piece First-Class Package International Service (FCPIS).¹ In response to the Commission's Notice of the Postal Service's Request,² the Public Representative respectfully submits the following comments concerning the proposed MCS changes.

Pursuant to 39 C.F.R. §3040.181, the Postal Service request for MCS changes to a competitive product shall include: (1) Supporting justification for changes to a product description and rationale; (2) Explain why the changes will not result in the violation of any of the standards of 39 U.S.C. §3633; and (3) Describe the likely impact that the changes will have on users of the product and on competitors.

II. SUPPORTING JUSTIFICATION AND RATIONALE

The Postal Service is currently developing the Outbound Commercial Provider Initiative (OCPI) which would allow for delivery of outbound international packages in

¹ Request of the United States Postal Service for Classification Changes Concerning Outbound Single-Piece First-Class Package International Service, May 13, 2021 (Request).

² Notice and Order Concerning Classification Changes to Outbound Single-Piece First-Class Package International Service, May 18, 2021.

foreign countries through the use of a commercial delivery supplier instead of the destination country postal operator. Request at 2. The Postal Service states that the “OCPI is designed to help the Postal Service remain competitive in the cross-border shipping market through the use of alternative providers to provide final delivery in the destination country of U.S. origin shipments.” *Id.* In addition, the Postal Service claims that the OCPI creates an alternative channel that allows for opportunities to provide improved service performance “in situations where issues arise with foreign postal operators, such as strikes, unfavorable bilateral negotiations, pandemic impacts, or significant service issues.” *Id.* To facilitate the introduction and seamless implementation of the OCPI for FCPIS, the Postal Service requests changes to MCS section 2335.1. *Id.* at 3.³

The Postal Service requests three changes to the FCPIS product description to make it broad enough to encompass the use of commercial delivery suppliers in the destination country under the OCPI. Request at 3. In MCS section 2335.1a, the Postal Service strikes “that are subject to the provisions of the Universal Postal Convention of the Universal Postal Union” and “that are not entered as Priority Mail International.” *Id.* In MCS section 2335.1c, the Postal Service revises the language to, “Outbound Single-Piece First-Class Package International Service pieces that are undeliverable-as-addressed may be forwarded if applicable or returned to the sender.” *Id.*

The Postal Service has adequately satisfied the requirements of 39 C.F.R. §3040.181(a).

III. SUFFICIENT REVENUE REQUIREMENT

Pursuant to 39 U.S.C. §3633, the Postal Service’s competitive prices must (1) prohibit the subsidization of competitive products by market-dominant products; (2) ensure that each competitive product covers its attributable costs;

³ In Footnote 1 of the Request, the Postal Service reserves the right to characterize the MCS changes as “minor.” Since the MCS changes will likely result in a change to FCPIS cost coverage (see Section III), the Public Representative would characterize the MCS changes as “material.”

and (3) ensure that all competitive products collectively cover an appropriate share of the institutional costs of the Postal Service.

The Postal Service states that the “OCPI program is intended to take advantage of rates and services negotiated with commercial suppliers for destination country delivery costs” and the “rates would generally be expected to be advantageous as compared to the terminal dues, inward land rates, and EMS rates charged by foreign postal operators.” *Id.* at 4-5. The Postal Service claims that at this time, it “is not possible to generate detailed financial workpapers that set forth the impact of implementation of the OCPI program on cost coverage for rates of general applicable for FCPIIS.” *Id.* at 5. However, the Postal Service is “confident that if it were possible to generate such supporting forecast data, adjustment calculations, and expected cost coverage for FCPIIS, the financial workpapers would demonstrate that if the proposed changes are implemented, the FCPIIS product would show improved contribution.” *Id.*

Even though the Postal Service has not provided any financial data or supporting workpapers, the proposed MCS changes will not change the current rates for FCPIIS. The underlying costs for the current rates assumes delivery by the destination country postal operator. The proposed MCS changes provide the Postal Service with the option to use the destination country postal operator or a commercial delivery supplier. Since the main purpose of the OCPI is to reduce costs by using a commercial delivery supplier in lieu of the destination country postal operator, the costs under the OCPI will likely be lower while revenue will remain unchanged. Thus, if current rates generate sufficient revenue to cover costs, then the same rates under the OCPI will also cover costs and at the same time, should increase contribution. Since this is a competitive product, the Postal Service has little incentive to utilize a commercial delivery supplier if the costs are higher than the destination country postal operator.

However, the Postal Service states that “in some cases, the use of OCPI suppliers may be desirable to ensure stable and consistent service abroad.” *Id.* If a commercial delivery supplier would improve service, but at a higher cost than

the destination country postal operator, costs could exceed revenue for that country. Higher costs incurred for service improvements in select countries would likely be outweighed by the lower costs incurred in the rest of the countries. Thus, the current rates for FCPIS should continue to cover costs under the OCPI. For the Annual Compliance Determination, the Public Representative recommends that the Commission require the Postal Service to provide detailed analysis for countries where the costs are higher under the OCPI than they would have been using the destination country postal operator. For each of those countries, the Postal Service should provide a cost and service analysis that demonstrates that the amount of improved service warrants the additional cost.

The Postal Service has adequately satisfied the requirements of 39 C.F.R. §3040.181(b)(2).

IV. IMPACT ON USERS AND COMPETITORS

For users, the Postal Service claims that the MCS changes would allow for FCPIS to be delivered by a foreign postal operator or an OCPI supplier, which will likely “have a positive effect.” *Id.* at 6. The Postal Service states that the “alternative channel also offers opportunities for providing services that are currently unavailable through the postal channels and improving service performance.” *Id.* For competitors, the Postal Service claims that the “OCPI relies on commercial customs practices in the destination country, and as such, results in the same practices being applied to shipments originating with the Postal Service as with competing private sector entities.” *Id.*

Users of FCPIS will receive improved service from more reliable delivery channels under OCPI, but could receive diminished service if a package cannot be forwarded or returned to the sender by the OCPI supplier. The overall benefits to the users outweigh the diminished benefits in select cases. Competitors of FCPIS could receive increased competition as the Postal Service begins to utilize the same private sector delivery structure. Since FCPIS is a competitive product, increased competition is healthy for the market and will ultimately benefit the users.

The Postal Service has adequately satisfied the requirements of 39 C.F.R. §3040.181(c).

V. CONCLUSION

The Public Representative supports the proposed changes to the MCS for FCPIS. With alternate delivery options under the OCPI, the Postal Service should be able to increase contribution and provide improved service.

Respectfully submitted,

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