

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

Before Commissioners:

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

Outbound Single-Piece First-Class
Package International Service

Docket No. MC2021-91

ORDER APPROVING CLASSIFICATION CHANGES TO OUTBOUND SINGLE-PIECE
FIRST-CLASS PACKAGE INTERNATIONAL SERVICE

(Issued June 10, 2021)

I. INTRODUCTION

The Postal Service proposes classification changes to Outbound Single-Piece First-Class Package International Service (FCPIS).¹ The changes are scheduled to become effective 30 days after the material Mail Classification Schedule (MCS) changes were filed with the Commission, or as soon as practicable thereafter.² The

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 Request, Attachment 1, Decision of the Governors of the United States Postal Service on Mail Classification Schedule Changes Related to the Outbound Commercial Provider Initiative (OCPI) (Governors' Decision No. 21-4), at 1 (Governors' Decision No. 21-4).

Commission approves the proposed classification changes and updates the MCS to reflect these changes. A draft of the applicable MCS changes is attached to this Order.

II. BACKGROUND

A. The Postal Service's Request

On May 13, 2021, in accordance with 39 C.F.R. § 3040.180, the Postal Service filed a request to change the classification language governing FCPIS in the MCS. Request at 1. The Postal Service represents that, as required by 39 C.F.R. § 3040.181, the Request includes the supporting justification for the changes. *Id.* at 1-7.

Attached to the Request is the Governors' Decision No. 21-4 reflecting the classification changes related to the Outbound Commercial Provider Initiative (OCPI). Governors' Decision No. 21-4 provides an explanation and justification of the competitive product's classification changes intended to demonstrate that the changes comply with Title 39 of the United States Code. Governors' Decision No. 21-4 at 1-2.

Attached to the Governors' Decision No. 21-4 is the draft MCS language (MCS Attachment). The MCS Attachment shows the FCPIS classification language the Postal Service proposes to change in this proceeding. The proposed changes to the product description are summarized below.

The Postal Service did not file financial workpapers with the Request, providing the reasoning that because OCPI is in its preliminary stages and it has not been determined that OCPI will be offered in connection with FCPIS at any point in the near future, it is not possible to generate detailed financial workpapers. Request at 5. However, the Postal Service states that it is confident that if were possible to generate such supporting forecast data, adjustment calculations, and expected cost coverage for FCPIS, the financial workpapers would demonstrate that if the proposed changes are implemented, the FCPIS product would show improved contributions and be in compliance with 39 U.S.C. § 3633(a)(3). *Id.*

Implementation of OCPI. Governors' Decision No. 21-4 includes an overview of the Postal Service's planned classification changes to implement OCPI, which would allow the Postal Service to offer outbound international service for package shipments through the use of a supplier in lieu of the destination country postal operator. Governors' Decision No. 21-4 at 1. The Postal Service states that OCPI is designed to remain competitive in the cross-border shipping market, enable continuity of service in situations where issues arise with foreign postal operators, such as strikes, unfavorable bilateral negotiations, pandemic impacts, or significant service issues. Request at 2.

B. Procedural History

On May 18, 2021, the Commission provided notice of the Postal Service's filing, established the instant docket for consideration of the filing's consistency with applicable statutory policies and Commission regulations, appointed a Public Representative, and provided the public with an opportunity to comment.³

C. Chairman's Information Request

On May 21, 2021, the Commission issued Chairman's Information Request No. 1.⁴ CHIR No. 1 asked the Postal Service to provide clarification regarding potential operational changes for FCPIS if OCPI is implemented, the impact on stakeholders, and costing. The Postal Service responded to CHIR No. 1 on May 27, 2021, providing the requested clarifications.⁵

³ Notice and Order Concerning Classification Changes to Outbound Single-Piece First-Class Package International Service, May 18, 2021 (Order No. 5894).

⁴ Chairman's Information Request No. 1, May 21, 2021 (CHIR No. 1).

⁵ Response of the United States Postal Service to Chairman's Information Request No. 1, May 27, 2021 (Response to CHIR No. 1).

III. COMMENTS

The Public Representative filed comments on May 25, 2021.⁶ The Public Representative concludes that the planned changes are consistent with applicable statutory and regulatory provisions and that the Postal Service should be able to increase contribution and provide improved service with alternate delivery options under OCPI. PR Comments at 2-5.

No other interested party filed comments, and no party challenges the Postal Service's proposed classification changes as insufficient to meet the requirements of 39 U.S.C. § 3633, 39 C.F.R. part 3040.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Request and the comments filed. Proposed changes to competitive product descriptions are reviewed to ensure ongoing compliance with 39 U.S.C. § 3633 and to consider the impact of the change on users of the product as well as competitors. See 39 C.F.R. § 3040.181(b-c). In pertinent part, 39 U.S.C. § 3633, as implemented by the Commission's rules, requires each competitive product to cover its attributable costs, prohibits the subsidization of competitive products by market dominant products, and requires that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. See 39 U.S.C. § 3633(a); 39 C.F.R. § 3035.107.

In its justification of the proposed change, filed as required under 39 C.F.R. § 3040.181, the Postal Service explains that OCPI is an opportunity for the Postal Service to offer the delivery of outbound international service for package shipments in foreign countries through the use of a commercial delivery supplier in lieu of the destination country postal operator. Request at 1-4. The Postal Service expects the

⁶ Public Representative Comments on Postal Service Request for Classification Changes Concerning Outbound Single-Piece First-Class Package International Service, May 25, 2021 (PR Comments).

opportunity for potential costs savings and service improvements, and thus anticipates that OCPI will not endanger the compliance of FCPIIS with 39 U.S.C. § 3633, or have an unfavorable impact on users of FCPIIS and on competitors. *Id.* at 5-7.

The Commission notes that the removal of the requirement that FCPIIS packages adhere to the provisions of the Postal Convention of the Universal Postal Union (UPU) could permit operational changes other than the implementation of OCPI. To ensure that the requested MCS change will not endanger compliance, the Commission asked the Postal Service to detail other operational changes enabled by the requested MCS change, and to discuss the potential impact on cost coverage, users of FCPIIS, or competitors, in accordance with 39 C.F.R. § 3040.181. CHIR No. 1, question 1. The Commission has reviewed the Postal Service's responses and concludes that other potential operational changes would not substantially affect cost coverage nor significantly impact users of, or competitors to, FCPIIS beyond those associated with OCPI.

The Commission finds that the proposed change should have no material effect on potential cross-subsidization of competitive products by market dominant products, nor should it have any material effect on the compensatory cost coverage of Outbound Single-Piece FCPIIS or the contribution of competitive products towards institutional costs. The Commission, therefore, concludes that with the proposed classification changes, Outbound Single-Piece FCPIIS should comply with 39 U.S.C. § 3633. Similarly, the Commission finds that the proposed change should not have a substantial impact on users of FCPIIS or on competitors, as per 39 C.F.R. part 3040.

In conclusion, as set forth in this Order, the Postal Service may implement its proposed classification changes as scheduled.

V. ORDERING PARAGRAPHS

It is ordered:

1. The proposed classification changes for Outbound Single-Piece First-Class Package International Service may take effect as scheduled.
2. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective June 14, 2021.

By the Commission.

Erica A. Barker
Secretary

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products

2300 International Products

2335 Outbound Single-Piece First-Class Package International Service

2335.1 Description

- a. Outbound Single-Piece First-Class Package International Service consists of outbound international ~~letter-post~~ packages and rolls (destined for delivery outside of the United States) ~~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.~~

- c. Outbound Single-Piece First-Class Package International Service pieces that are undeliverable-as-addressed ~~are entitled to~~ may be forwarded if applicable or returned to the sender.
