

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

Before Commissioners:

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

Competitive Price Changes

Docket No. CP2022-62

ORDER APPROVING CHANGES IN RATES AND CLASSIFICATIONS
OF GENERAL APPLICABILITY FOR COMPETITIVE PRODUCTS

(Issued June 8, 2022)

I. INTRODUCTION

The Postal Service proposes changes in rates of general applicability and classifications of general applicability for competitive products.¹ The changes are scheduled to become effective July 10, 2022. Notice at 2. The Commission approves the proposed rate and classification changes and updates the Mail Classification Schedule (MCS) to reflect the new prices. A draft of the applicable MCS changes is attached to this Order.

¹ USPS Notice of Changes in Rates and Classifications of General Applicability for Competitive Products, May 6, 2022 (Notice).

II. BACKGROUND

A. The Postal Service's Notice

On May 6, 2022, the Postal Service filed notice with the Commission concerning changes in rates and classifications of general applicability for Competitive products. The Postal Service represents that, as required by 39 C.F.R. § 3035.102(b) and 39 C.F.R. § 3035.104(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates. *Id.* at 1-2.

Attached to the Notice is Governors' Decision No. 22-1, which states the new prices are in accordance with 39 U.S.C. §§ 3632 and 3633 and 39 C.F.R. § 3035.102.² The Governors' Decision provides an analysis of the Competitive products' price and classification changes intended to demonstrate that the changes comply with 39 U.S.C. § 3633 and 39 C.F.R. part 3035. Governors' Decision No. 22-1 at 1. The attachment to Governors' Decision No. 22-1 sets forth the classification and price changes and includes draft MCS language for Competitive products of general applicability.

The Notice also includes an application for non-public treatment of the attributable costs, contribution, and cost coverage data in the unredacted version of the annex to Governors' Decision No. 22-1, as well as the supporting materials for the data. Notice at 2.

Proposed price adjustments. Governors' Decision No. 22-1 includes an overview of the Postal Service's planned price and classification changes for Priority Mail, Parcel Select, and certain International Special Services, which are summarized as follows:

- Eligibility requirements for Priority Mail Commercial Plus Cubic will be removed, so that all commercial customers can use Priority Mail cubic pricing.
- Classification changes will be made to increase insurance to \$100 for Priority Mail and to extend the inclusion of \$100 in insurance to Priority Mail Returns.

² Notice, Decision of the Governors of the United States Postal Service on Changes in Rates and Classification of General Applicability for Competitive Products (Governors' Decision No. 22-1), at 1 (Governors' Decision No. 22-1).

- Cubic pricing will be introduced for Parcel Select Ground.
- Prices for Outbound International Insurance will be increased 55 percent on average, and prices for International Money Transfer Service (IMTS)-Outbound, which includes international Postal Money Orders and Electronic Money Transfer Service, will increase by about 305 percent.³

The Notice includes attachments with redacted tables showing Fiscal Year (FY) 2023 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming implementation dates of July 10, 2022. The Notice also includes an application for non-public treatment of the unredacted version of the annex to the Governors' Decisions and other supporting materials filed under seal.

B. Procedural History

On May 9, 2022, 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.⁴

On May 18, 2022, Chairman's Information Request No. 1 was issued seeking clarification relating to the proposed rate and classification changes.⁵ The Postal Service responded to CHIR No. 1 on May 25, 2022.⁶

On May 31, 2022, Chairman's Information Request No. 2 was issued requesting a revised version of the MCS incorporating changes noted in the Postal Service's

³ See Notice at 1; *see also* Governors' Decision No. 22-1 at 2.

⁴ Notice and Order Concerning Changes in Rates and Classifications of General Applicability for Competitive Products, May 9, 2022 (Order No. 6167).

⁵ Chairman's Information Request No. 1 and Notice of Filing Under Seal, May 18, 2022 (CHIR No. 1).

⁶ USPS Response to Chairman's Information Request No. 1, with Material Filed Under Seal, May 25, 2022 (Response to CHIR No. 1).

Response to CHIR No. 1.⁷ The Postal Service responded and provided the revision to the Global Express Guaranteed Insurance section of the proposed MCS language in CHIR No. 2 on June 1, 2022.⁸

III. COMMENTS

The Public Representative filed comments on June 6, 2022.⁹ The Public Representative concludes that the proposed rates will continue to comply with 39 U.S.C. § 3633. PR Comments at 2. He commends the Postal Service for removing the Commercial Plus requirements for Priority Mail Commercial Plus Cubic so that all commercial customers can use Priority Mail cubic pricing, noting that "[w]ith equal access to cubic pricing, small business will now have an additional shipping option." *Id.* at 2. He also notes that the additional \$50 in insurance for Priority Mail without a concurrent price increase will allow the Postal Service to better compete in the package market, and that overall, the additional attributable costs for Priority Mail should not be significant enough to endanger compliance with 39 U.S.C. § 3633. *Id.* at 2-3. Regarding the introduction of cubic pricing for Parcel Select Ground products, the Public Representative notes that the inclusion could increase the attributable costs of all Ground products. *Id.* at 3. In addition, the Public Representative notes that the increased prices for Outbound International Insurance and International Money Transfer Service (IMTS)-Outbound should assist with making both products compensatory. *Id.*

No other interested party filed comments, and no party challenges the Postal Service's proposed rates as insufficiently high to meet the requirements of 39 U.S.C. § 3633. In addition, no party challenges the Postal Service's proposed classification changes as inconsistent with 39 U.S.C. § 3642.

⁷ Chairman's Information Request No. 2, May 31, 2022 (CHIR No. 2).

⁸ USPS Response to Chairman's Information Request No. 2, June 1, 2022 (Response to CHIR No. 2).

⁹ Public Representative Comments on Postal Service Notice of Competitive Price Changes, June 6, 2022 (PR Comments).

IV. COMMISSION ANALYSIS

A. Rate Changes

The Commission has reviewed the Notice, the CHIR responses, the materials filed under seal, and the comments filed. Proposed price adjustments for competitive products are reviewed pursuant to 39 U.S.C. § 3633(a) and Commission regulations under 39 C.F.R. part 3035. In brief, these statutory and regulatory provisions require each competitive product to cover its attributable cost (39 U.S.C. § 3633(a)(2)), prohibit the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs (39 U.S.C. § 3633(a)(3)).

The Postal Service included with its Notice multiple Excel files. See folder CP22-62_Redacted Price Calc Files. The Commission notes concerns with the overall quality of the Postal Service's workpapers, specifically missing input data and source material. The Commission encourages the Postal Service to review the quality of all materials before submission and to show all work and calculations to avoid quality concerns and to assist the Commission with conducting a timely review of workpapers.

The Commission finds that the new price proposed for each product is projected to generate sufficient revenue to cover each product's attributable cost. This finding supports the conclusion that the new prices will satisfy section 3633(a)(2). In addition, in accordance with section 3633(a)(3), competitive products as a whole are projected to contribute 35.6 percent to institutional costs in FY 2023, which exceeds the required

minimum contribution.¹⁰ Together, these findings support the conclusion that competitive products will not be subsidized by market dominant products, as required by 39 U.S.C. § 3633(a)(1). The Commission, therefore, concludes that the new competitive prices and proposed MCS language incorporating the new prices comply with 39 U.S.C. § 3633(a).

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

B. Classification Changes

The Commission evaluates a request to change a classification for competitive products under 39 U.S.C. § 3642 and 39 C.F.R. § 3040.130 *et seq.* Section 3642 provides that the Postal Service may change the list of competitive products under section 3631 by adding new products to the lists, removing products from the lists, or transferring products between the lists. 39 U.S.C. § 3642(a). Section 3642(b) states that all determinations by the Commission shall be made in accordance with criteria such as due regard to the views of those who use the product involved on the appropriateness of the proposed action, whether a product is covered by the postal monopoly, and several additional considerations. 39 U.S.C. § 3642(b). The Commission's rules also require certain information to be provided in support of the request, including a demonstration of why the change is in accordance with the policies

¹⁰ Notice, Competitive Rate Changes July 10, 2022 Implementation (showing projections). In Order No. 4963, the Commission adopted a new, formula-based methodology for determining the amount of the appropriate share of institutional costs to be covered by Market Dominant costs. See Docket No. RM2017-1, Order Adopting Final Rules Relating to the Institutional Cost Contribution Requirement for Competitive Products, January 3, 2019 (Order No. 4963). Order No. 4963 was remanded to the Commission on appeal. *United Parcel Serv., Inc. v. Postal Reg. Comm'n*, 955 F.3d 1038 (D.C. Cir. 2020). The Commission notes that the projected contribution of 35.6 percent of institutional costs exceeds both the 5.5 percent requirement that applied prior to Order No. 4963, and the 10.4 percent requirement for FY 2023, calculated under Order No. 4963's formula-based methodology. See Docket No. RM2012-3, Order Reviewing Competitive Products' Appropriate Share Contribution to Institutional Costs, August 23, 2012, at 24-25 (Order No. 1449) (maintaining 5.5 percent requirement); Docket No. ACR2021, *Annual Compliance Determination*, March 29, 2022, at 94-97 (calculating 10.4 percent requirement for FY 2023).

and applicable criteria of chapter 36 of title 39 of the United States Code. See 39 C.F.R. § 3040.132.

As part of its Request, the Postal Service is also required to file with the Commission and publish in the *Federal Register* a notice setting out the basis for its determination that the product satisfies the criteria under 39 U.S.C. § 3642(b), and that the product meets the regulations promulgated under Section 3633. 39 U.S.C. § 3642(d). The Postal Service included proposed significant classification changes for competitive products within the Notice. The Commission reminds the Postal Service that future proposed classification changes should be filed in an accompanying Mail Classification docket to make it explicit when the Postal Service proposes to make changes to the MCS, and how the Postal Service's request comports with 39 C.F.R. part 3040, *et seq.*

The Commission recognizes the Postal Service's discretion to make competitive product classification changes and concludes that the associated classification changes and the proposed MCS language incorporating the classifications changes comply with 39 U.S.C. § 3642.

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 prices and classification changes can take effect as scheduled.
2. Revisions to the Mail Classification Schedule appear below the signature of this Order and are effective July 10, 2022.

3. Future proposed changes to classifications of competitive products must be filed in an accompanying Mail Classification docket.

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

2100 Domestic Products

2110 Priority Mail

2110.1 Description

- a. Priority Mail service provides expeditious handling and transportation.
- b. Any matter eligible for mailing may, at the option of the mailer, be mailed by Priority Mail service for expeditious handling and transportation.
- c. Priority Mail pieces are sealed against postal inspection and shall not be opened except as authorized by law.
- d. Priority Mail pieces that are undeliverable-as-addressed are entitled to be forwarded or returned to the sender without additional charge.
- e. Up to ~~\$50.00~~ \$100.00 of General Insurance coverage is included at no additional cost in the price of Priority Mail pieces that bear an Intelligent Mail package barcode or retail tracking barcode. This does not apply to Priority Mail pieces sent using ~~non-prepaid returns,~~ Priority Mail Open and Distribute, or Premium Forwarding Service.
- f. Up to \$100.00 of General Insurance coverage is included at no additional cost in the price of Priority Mail pieces that bear an Intelligent Mail package barcode and for which the mailer pays Commercial Plus prices or uses ePostage, Electronic Verification System, Hardcopy Manifest, or an approved Manifest Mailing System. This does not apply to Priority Mail pieces sent using ~~non-prepaid returns,~~ Priority Mail Open and Distribute, or Premium Forwarding Service.
- g. Return parcels may be sent without prepayment of postage if authorized by the returns customer, who agrees to pay the postage.

2110.2 Size and Weight Limitations¹

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum				70 pounds ¹
Flat Rate Envelope	Nominal Sizes: Regular: 9.5 x 12.5 inches Padded: 10 x 13 inches Legal: 9.5 x 15.0 inches			70 pounds ¹
Flat Rate Box	Nominal Sizes: Large: 12 x 12 x 5.5 inches or 11.75 x 3 x 23.6875 inches – approximately 1/2 cu. ft. Medium: 11.875 x 3.375 x 13.625 inches or 11 x 8.5 x 5.5 inches – approximately 1/3 cu. ft. Small: 8.625 x 5.375 x 1.625 inches – approximately 1/20 cu. ft.			
Regional Rate Box A	Outside Dimensions: Top Loaded: 10.125 x 7.125 x 5.0 inches Side Loaded: 13.0625 x 11.0625 x 2.5 inches			15 pounds
Regional Rate Box B	Outside Dimensions: Top Loaded: 12.25 x 10.5 x 5.5 inches Side Loaded: 16.25 x 14.5 x 3 inches			20 pounds
Commercial Plus-Cubic	Various, not to exceed 0.1, 0.2, 0.3, 0.4, or 0.5 cubic feet			20 pounds
Open and Distribute	Half Tray: 15 x 11.75 x 4.75 inches Full Tray: 25.875 x 11.75 x 4.75 inches EMM Tray: 12.375 x 6.4375 x 25.25 inches Flat Tub: 19.375 x 13.8125 x 12.25 inches			70 pounds ¹
All Others	108 inches in combined length and girth			70 pounds ¹

Notes

1. A charge of \$100.00 applies to pieces found in the postal network that exceed the 70-pound maximum weight limitation or the 130-inch length plus girth maximum dimensional limit for Postal Service products. Such items are nonmailable and will not be delivered. As described in the Domestic Mail Manual, this charge is payable before release of the item, unless the item is picked up at the same facility where it was entered.

2110.3 Minimum Volume Requirements

Minimum Volume Requirements	
Commercial Plus-Cubic Priority Mail	50 pounds or 200 pieces (Permit Imprint only)
All Other Priority Mail	none

2110.4 Price Categories

- ~~Commercial Plus-Cubic~~ – Prices are available to customers who use specifically authorized postage payment methods and whose annual ~~Priority Mail volume exceeds 50,000 pieces~~
 - ~~Zone/Cubic Volume~~

2110.6 Prices

Commercial Plus Cubic

Maximum Cubic Feet	Local, Zones 1 & 2 (\$)	Zone 3 (\$)	Zone 4 (\$)	Zone 5 (\$)	Zone 6 (\$)	Zone 7 (\$)	Zone 8 (\$)	Zone 9 (\$)
0.10	7.54	7.81	8.05	8.37	9.18	9.77	10.43	18.56
0.20	8.02	8.20	8.49	9.12	10.96	11.62	12.67	25.09
0.30	8.25	8.62	9.01	10.03	13.48	15.22	17.93	34.46
0.40	8.37	8.85	9.57	11.83	15.92	18.73	21.59	42.67
0.50	8.50	9.07	10.04	13.18	17.79	22.31	25.74	51.21

2115 Parcel Select

2115.2 Size and Weight Limitations¹

Parcel Select

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	130 inches in combined length and girth			70 pounds ¹

Parcel Select Ground

	<u>Length</u>	<u>Height</u>	<u>Thickness</u>	<u>Weight</u>
<u>Minimum</u>	<u>large enough to accommodate postage, address, and other required elements on the address side</u>			<u>none</u>
<u>Maximum Cubic</u>	<u>Various, not to exceed 0.10, 0.20, 0.30, 0.40, 0.50, 0.60, 0.70, 0.80, 0.90, or 1.00 cubic feet</u>			<u>20 pounds</u>
<u>All Others</u>	<u>130 inches in combined length and girth</u>			<u>70 pounds¹</u>

Lightweight

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	108 inches in combined length and girth			< 16 ounces

Notes

1. A charge of \$100.00 applies to pieces found in the postal network that exceed the 70-pound maximum weight limitation or the 130-inch length plus girth maximum dimensional limit for Postal Service products. Such items are nonmailable and will not be delivered. As described in the Domestic Mail Manual, this charge is payable before release of the item, unless the item is picked up at the same facility where it was entered.

2115.4 Price Categories

Non-Destination Entered

- Parcel Select Ground
 - Parcel Select Ground
 - Cubic
 - Dimensional Weight
 - Oversized
 - Forwarding and Returns

2115.6 Prices

Non-Destination Entered — Parcel Select Ground

a. Parcel Select Ground

b. Cubic

<u>Maximum Cubic Feet</u>	<u>Local, Zones 1&2 (\$)</u>	<u>Zone 3 (\$)</u>	<u>Zone 4 (\$)</u>	<u>Zone 5 (\$)</u>	<u>Zone 6 (\$)</u>	<u>Zone 7 (\$)</u>	<u>Zone 8 (\$)</u>	<u>Zone 9 (\$)</u>
<u>0.10</u>	<u>6.86</u>	<u>7.11</u>	<u>7.29</u>	<u>7.42</u>	<u>7.64</u>	<u>8.09</u>	<u>8.45</u>	<u>8.45</u>
<u>0.20</u>	<u>7.26</u>	<u>7.60</u>	<u>7.87</u>	<u>8.08</u>	<u>8.98</u>	<u>9.57</u>	<u>10.12</u>	<u>10.12</u>
<u>0.30</u>	<u>7.31</u>	<u>7.70</u>	<u>8.06</u>	<u>8.55</u>	<u>10.48</u>	<u>11.01</u>	<u>11.64</u>	<u>11.64</u>
<u>0.40</u>	<u>7.40</u>	<u>7.87</u>	<u>8.42</u>	<u>9.53</u>	<u>11.47</u>	<u>12.14</u>	<u>12.76</u>	<u>12.76</u>
<u>0.50</u>	<u>7.51</u>	<u>8.08</u>	<u>8.81</u>	<u>10.23</u>	<u>12.16</u>	<u>12.93</u>	<u>13.66</u>	<u>13.66</u>
<u>0.60</u>	<u>7.63</u>	<u>8.40</u>	<u>9.26</u>	<u>11.72</u>	<u>12.68</u>	<u>13.45</u>	<u>14.15</u>	<u>14.15</u>
<u>0.70</u>	<u>7.99</u>	<u>9.09</u>	<u>9.73</u>	<u>12.56</u>	<u>13.01</u>	<u>13.91</u>	<u>14.84</u>	<u>14.84</u>
<u>0.80</u>	<u>8.21</u>	<u>9.73</u>	<u>10.93</u>	<u>12.91</u>	<u>13.48</u>	<u>14.40</u>	<u>15.50</u>	<u>15.50</u>
<u>0.90</u>	<u>8.87</u>	<u>10.21</u>	<u>11.68</u>	<u>13.14</u>	<u>13.90</u>	<u>15.09</u>	<u>16.42</u>	<u>16.42</u>
<u>1.00</u>	<u>9.39</u>	<u>10.74</u>	<u>11.92</u>	<u>13.54</u>	<u>14.33</u>	<u>16.10</u>	<u>17.68</u>	<u>17.68</u>

b.c. Dimensional Weight

Parcels exceeding one cubic foot are priced at the actual weight or the dimensional weight, whichever is greater.

For box-shaped parcels, the dimensional weight (pounds) is calculated by multiplying the length (inches) times the width (inches) times the height (inches) of the parcel, and dividing by 166.

For irregular-shaped parcels (parcels not appearing box-shaped), the dimensional weight (pounds) is calculated by multiplying the length (inches) times the width (inches) times the height (inches) at the associated maximum cross-sections of the parcel, dividing by 166, and multiplying by an adjustment factor of 0.785.

ed. Oversized Pieces

Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in length plus girth must pay the oversized price. As stated in the Domestic Mail Manual, any piece that is found to be over the 70 pound maximum weight limitation is nonmailable, will not be delivered, and may be subject to the \$100.00 overweight item charge.

de. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Ground price, plus \$3.00, when forwarded or returned. For customers using Address Correction Service with Shipper Paid Forwarding/Return, and also using an IMpb, the additional fee will be \$2.50.

2615.5 Outbound International Insurance

2615.5.3 Prices

Outbound International Insurance

- a. Priority Mail International Insurance and Priority Mail Express
International Merchandise Insurance

Indemnity Limit Not Over (\$)	Price (\$)
200 ¹	0.00
300	<u>11.05</u>
400	<u>14.00</u>
500	<u>16.95</u>
600	<u>19.90</u>
700	<u>22.85</u>
800	<u>25.80</u>
900	<u>28.75</u>
Over 900	<u>28.75</u> plus <u>2.95</u> for each 100.00 or fraction thereof over 900.00. Maximum indemnity varies by country.

Notes

1. Insurance coverage is provided, for no additional charge, up to \$200.00 for merchandise, and up to \$100.00 for document reconstruction.

b. Global Express Guaranteed Insurance

	(\$)		(\$)	(\$)
Amount of coverage:				
	0.01	to	100.00	0.00
	100.01	to	200.00	<u>2.10</u>
	200.01	to	300.00	<u>4.20</u>
	300.01	to	400.00	<u>6.30</u>
	400.01	to	500.00	<u>8.40</u>
For document reconstruction insurance or non-document insurance coverage above 500.00, add 1.35 per 100.00 or fraction thereof, up to a maximum of 2,499.00 per shipment. Maximum indemnity varies by country.				
	Up to		2,499.00	48.30 <u>50.40</u>

2620 International Money Transfer Service—Outbound

2620.3 Prices

International Money Order

	(\$)
Per International Money Order	<u>49.65</u>
Inquiry Fee	<u>36.45</u>

Vendor Assisted Electronic Money Transfer

	Transfer Amount		Per Transfer (\$)
	Minimum Amount (\$)	Maximum Amount (\$)	
Electronic Money Transfer	0.01	750.00	<u>69.30</u>
	750.01	1,500.00	<u>100.25</u>
Refund	0.01	1,500.00	<u>151.90</u>
Change of Recipient	0.01	1,500.00	<u>80.80</u>
