

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 Product Prices
Inbound Competitive Multi-Service Agreements with
Foreign Postal Operators
Interconnect Remuneration Agreement –
United States Postal Service and
Specified Postal Operators II (MC2010-34)
Negotiated Service Agreement

Docket No. CP2022-34

ORDER APPROVING MODIFICATIONS TO RATES
UNDER THE INBOUND COMPETITIVE
MULTI-SERVICE IRA-USPS II AGREEMENT

(Issued June 28, 2022)

I. INTRODUCTION

The Postal Service seeks to modify certain inbound rates under the Competitive multi-product “Interconnect Remuneration Agreement USPS and Specified Postal Operators II” (IRA-USPS II Agreement).¹ For the reasons discussed below, the Commission approves the proposed modifications.

¹ Notice of the United States Postal Service of Filing Modifications to Rates Under Inbound Competitive Multi-Service IRA-USPS II Agreement with Materials Filed Under Seal, June 3, 2022 (Notice).

II. BACKGROUND

The IRA-USPS II Agreement is included within the Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.² On June 3, 2022, the Postal Service filed notice of modifications to certain inbound rates under the IRA-USPS II Agreement.

Parties to the IRA-USPS II Agreement may self-declare their delivery rates within defined parameters by communicating revised rates to the International Post Corporation by July 15 of the year preceding their application.³ The Postal Service intends for the modifications to take effect on January 1, 2023. Notice at 2. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3035.105. *Id.* Attachment 1.

On June 6, 2022, the Commission issued a notice appointing a public representative and providing interested persons with an opportunity to comment.⁴

III. COMMENTS

The Public Representative was the only party to file comments.⁵ The Public Representative reviewed the Postal Service's Notice and supporting documentation. PR Comments at 3. Based on that review, he concludes that the modified IRA-USPS Agreement "satisfies the requirements of 39 U.S.C. § 3633(a)." *Id.*

IV. COMMISSION ANALYSIS

² Order Approving Additional Inbound Competitive Multi-Service Agreement with Foreign Postal Operators, December 23, 2021 (Order No. 6074).

³ Notice of United States Postal Service of Filing Functionally Equivalent Inbound Competitive Multi-Service Agreement with Foreign Postal Operators, December 8, 2021, Attachment 2 at 21-23.

⁴ Notice and Order Concerning Postal Service Filing of Modifications to Rates Under the Inbound Competitive Multi-Service IRA-USPS II Agreement, June 6, 2022 (Order No. 6190).

⁵ Public Representative Comments on Postal Service Notice of Filing Modifications to Rates Under Inbound Competitive Multi-Service IRA-USPS II Agreement with Materials Filed Under Seal, June 9, 2022 (PR Comments).

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3035.105 and 3035.107. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

Based on a review of the record, the Commission finds that the IRA-USPS II Agreement, as modified, should cover its attributable costs. Consequently, the Commission finds that the proposed modifications should allow the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the proposed modifications should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the proposed modifications are unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the proposed modifications indicates that they are consistent with section 3633(a). The Commission will review the cost coverage of the IRA-USPS II Agreement, as modified in the Annual Compliance Determination report to ensure that the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product covers its attributable costs, does not cause Market Dominant products to subsidize Competitive products as a whole, and helps competitive products make a reasonable contribution to the Postal Service's institutional costs in compliance with 39 U.S.C. § 3633(a).

Other considerations. On June 13, 2022, Chairman's Information Request No. 2 was issued, seeking additional source information, descriptions of use of zone-based transportation costs, and clarification on shared contract costs.⁶ After reviewing the responses, the Commission recommends that the Postal Service use zone-based costs where costs vary by zone. The Commission further reminds the Postal Service to include all relevant costs in the workpapers and in the calculation of cost coverage in a manner that is consistent with prior versions of the Interconnect agreement and other relevant agreements in this product.

V. ORDERING PARAGRAPHS

It is ordered:

The Commission approves the Interconnect Remuneration Agreement United States Postal Service and Specified Postal Operators II agreement, as modified.

By the Commission.

Erica A. Barker
Secretary

⁶ Chairman's Information Request No. 2, June 13, 2022.