

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

Before Commissioners:

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

Competitive Product Prices
Inbound E-format Letter Post

Docket No. CP2023-142

ORDER APPROVING PRICES FOR INBOUND E-FORMAT LETTER POST

(Issued May 26, 2023)

I. INTRODUCTION

On April 28, 2023, the Postal Service provided notice of rates not of general applicability for Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post) effective January 1, 2024.¹ For the reasons given below, the Commission approves the proposed prices for Inbound Letter Post Small Packets and Bulky Letters.

¹ Notice of the United States Postal Service of Rates Not of General Applicability for Inbound E-Format Letter Post, and Application for Non-Public Treatment, April 28, 2023, at 1 (Notice).

II. BACKGROUND

Inbound Letter Post Small Packets and Bulky Letters. Effective January 1, 2020, Inbound Letter Post Small Packets and Bulky Letters were transferred to the Competitive product list.²

Notice. In this proceeding, the Postal Service proposes specific per-item and per-kilogram self-declared prices for Inbound Letter Post Small Packets and Bulky Letters to be effective on January 1, 2024. Notice at 1. Under the Universal Postal Convention, if the Postal Service opts to self-declare rates for small packets and bulky letters, it must submit self-declared rates for Inbound Letter Post Small Packets and Bulky Letters that would take effect on January 1, 2024, to the Universal Postal Union (UPU) by June 1, 2023.³ The Postal Service states that the proposed prices comply with 39 U.S.C. § 3633(a). Notice at 5-8.

Initial Commission action. On May 2, 2023, the Commission issued a notice establishing the docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.⁴

III. PROPOSED SELF-DECLARED RATES

The Postal Service proposes specific per-item and per-kilogram self-declared rates for the Inbound Letter Post Small Packets and Bulky Letters product effective January 1, 2024. Notice at 1. The Postal Service states that these “self-declared rates will be charged to other UPU designated postal operators, except to the extent that the

² See Docket Nos. MC2019-17 and CP2019-155, Order Granting Postal Service’s Motion and Approving Prices for Inbound Letter Post Small Packets and Bulky Letters, December 19, 2019, at 18 (Order No. 5372); see also Docket No. MC2019-17, Order Conditionally Approving Transfer, January 9, 2019 (Order No. 4980).

³ Universal Postal Convention (UPU Convention), Decisions of the 2021 Abidjan Congress, Berne 2022, Article 29.1. The UPU Convention is available at <https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/07actsAndOtherDecisions2021AbidjanCongress/actsAndOtherDecisions2021AbidjanCongressEn.pdf> (UPU Convention Articles).

⁴ Notice and Order of Rates Not of General Applicability for Inbound E-Format Letter Post, and Application for Non-Public Treatment, May 2, 2023 (Order No. 6496).

UPU Convention establishes terminal dues rates that the Postal Service must charge in lieu of self-declared rates for certain low-volume letter-post streams dispatched from other countries[.]” *Id.* at 3. Specifically, the Postal Service states that UPU Convention terminal dues rates would apply to UPU Group II and III countries that have annual letter post flows to the United States below 25 metric tons and to UPU Group IV countries with annual letter post flows less than 100 metric tons.⁵ The Postal Service also asserts that, as shown in the supporting financial workpapers, the proposed prices for the Inbound Letter Post Small Packets and Bulky Letters product satisfy the statutory and regulatory requirements for Competitive products. *Id.* at 4-5.

IV. COMMENTS

The Public Representative filed comments on May 8, 2023.⁶ No other interested person filed comments. The Public Representative concludes that the proposed prices for the Inbound Letter Post Small Packets and Bulky Letters product satisfy the requirements of 39 U.S.C. § 3633(a). PR Comments at 2. Accordingly, she recommends approval of the proposed prices. *Id.*

V. COMMISSION ANALYSIS

Inbound Letter Post Small Packets and Bulky Letters. The Commission reviews price changes for Competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of Competitive products by Market Dominant products (§ 3633(a)(1)); require each Competitive product to cover its attributable costs (§ 3633(a)(2)); and require Competitive products as a whole to cover an appropriate

⁵ *Id.* at 3-4. The Postal Service adds that pursuant to certain provisions included in Articles 29.7 and 29.9 of the UPU Convention, the Postal Service can apply its self-declared rates to the below-threshold letter post flows from Group II, Group III, and Group IV countries. UPU Convention Articles 29.7 and 29.9. Notice at 4.

⁶ Public Representative Comments on Postal Service Notice of Rates for Inbound E-Format Letter Post, May 8, 2023 (PR Comments).

share of institutional costs (§ 3633(a)(3)). As long as the revenue generated by the product exceeds its attributable cost, the proposed prices are 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 the Competitive product covers its attributable costs, the proposed prices are likely to comply with 39 U.S.C. § 3633(a).

The Commission has reviewed the Notice, supporting data filed under seal, and the Public Representative comments. According to the workpapers filed by the Postal Service, the total projected revenue for Inbound Letter Post Small Packets and Bulky Letters from terminal dues and self-declared rates in the 12-month period of Calendar Year 2024 exceeds the total projected attributable costs for Inbound Letter Post Small Packets and Bulky Letters. The Commission finds that the proposed prices should generate sufficient revenue to cover the costs attributed to the Inbound Letter Post Small Packets and Bulky Letters product. The Commission, therefore, concludes that the new Competitive prices comply with 39 U.S.C. § 3633(a) and 39 C.F.R. part 3035.

The Commission commends the Postal Service for the quality of the financial workpapers filed in support of the Notice. These workpapers included the inputs, sources, and calculations, as well as the detailed explanation of the methodologies as required by Order No. 6187.⁷

⁷ See Docket No. CP2022-58, Order Approving Prices for Inbound Letter Post Small Packets and Bulky Letters, May 26, 2022, at 5 (Order No. 6187).

Changes to the UPU Convention affecting future filings. On January 1, 2022, new UPU regulations took effect implementing a provision of the Universal Postal Convention that permits incrementally higher self-declared rates if such increases are necessary to cover costs.⁸ This request must be based on a determination by the Commission. UPU Convention, Article 29.8. Required filings to exercise this option are due to the UPU by May 1 of each year, in advance of the June 1 deadline for submitting self-declared rates. UPU Convention, Article 29.8.

The Commission accordingly ordered the Postal Service to file its self-declared rates for Calendar Year 2024 no later than April 16, 2023. Order No. 6187 at 6. The Postal Service filed a motion averring that it had no basis on which to claim that the cost-to-tariff ratio would be inadequate to cover costs and requesting an extension of time to file until May 1, 2023.⁹ The Commission granted the motion.¹⁰ The Commission stated it would consider the appropriate filing deadline for future years as part of this proceeding. Order No. 6492 at 2.

Based on the analysis presented in the financial workpapers filed in support of the Notice, the Commission expects that the Postal Service will be able to accurately determine in future years whether it would qualify for incrementally higher self-declared rates in advance of the May 1 UPU deadline for requesting such an increase. Accordingly, the Commission directs the Postal Service to file self-declared rates for Calendar Year 2025 with the Commission by either April 16, 2024 (if the Postal Service would qualify for incrementally higher self-declared rates) or May 17, 2024 (if the Postal

⁸ UPU Convention Articles 29.8; Regulations to the UPU Convention, Article RE 30-121, Calculation of the cost-to-tariff ratio for DOs applying article 28bis.6ter of the Universal Postal Convention, available at <https://www.upu.int/getmedia/1a3e9f20-8262-45d7-9d1d-3c76b0c6e14a/actNonPermanentRegulationsConventionFinalProtocol10-084En.pdf>. Referenced article 28bis.6ter of the Universal Convention is currently Article 29.8 of the UPU Convention, which took effect on January 1, 2022, available at <https://www.upu.int/UPU/media/upu/files/aboutUpu/acts/07-actsAndOtherDecisions2021AbidjanCongress/actsAndOtherDecisions2021AbidjanCongressEn.pdf>.

⁹ See Docket No. CP2022-58, Motion of the United States Postal Service for Extension to File Notice of CY 2024 Rates for E-Format Items, April 17, 2023 (Motion).

¹⁰ See Docket No. CP2022-58, Order Granting Motion for Extension of Time to File, April 25, 2023 (Order No.6492).

Service would not qualify for incrementally higher self-declared rates). The Commission, however, strongly encourages the Postal Service to file by April 1, 2024, or May 1, 2024, respectively, to ensure that there is sufficient time to resolve any potential issues prior to the applicable UPU filing deadline.

The Postal Service shall, in future filings of self-declared rates, continue to include supporting financial workpapers that demonstrate: (1) how the Postal Service applied Article 29.1 and Article 29.3 of the UPU Convention in developing the proposed self-declared rates, and (2) whether or not the Postal Service qualifies for the higher self-declared rates available under Article 29.8 of the UPU Convention based on Article RE 30-121 of the Regulations to the UPU Convention. Such calculations shall specifically identify all inputs and sources used to calculate self-declared rates under all applicable provisions of the Article 29 of the UPU Convention and Article RE 30-121 of the Regulations to the Convention and shall include a detailed explanation of the calculation methodology employed.

VI. APPLICATION FOR NON-PUBLIC TREATMENT FOR SELF-DECLARED RATES

The Postal Service filed specific per-item and per-kilogram self-declared prices with its Notice. See Notice, Attachment 2. The Postal Service filed these self-declared rates under seal and requests that the Commission afford these self-declared prices non-public treatment. Notice, Attachment 1. In prior, similar proceedings, the Commission determined to unseal the specific per-item and per-kilogram self-declared rates for Inbound Letter Post Small Packets and Bulky Letters.¹¹

The Commission will review the arguments raised in the Postal Service's application for non-public treatment to determine whether the Commission will accord non-public treatment to the specific self-declared rates.

¹¹ See, e.g., Docket No. CP2022-58, Final Determination to Unseal Self-Declared Rates for Inbound Letter Post Small Packets and Bulky Letters, April 14, 2023 (Order No. 6484).

VII. ORDERING PARAGRAPHS

It is ordered:

1. The Commission concludes that the self-declared rates for the Inbound Letter Post Small Packets and Bulky Letters product proposed in the Notice of the United States Postal Service of Rates Not of General Applicability for Inbound E-Format Letter Post, and Application for Non-Public Treatment, filed on April 28, 2023, comply with 39 U.S.C. § 3633(a) and 39 C.F.R. part 3035. The proposed prices may take effect as scheduled.
2. Filing of self-declared rates for Inbound Letter Post Small Packets and Bulky Letters for Calendar Year 2025 shall be filed with the Commission no later than April 16, 2024, or May 17, 2024, as described in the body of this Order, and shall include material as described in the body of this Order.

By the Commission.

Erica A. Barker
Secretary