

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

Before Commissioners: Dan G. Blair, Chairman;
Mark Acton, Vice Chairman;
Ruth Y. Goldway; and
Tony L. Hammond

Notice of Price Adjustment

Docket No. R2008-1

NOTICE AND ORDER ON PLANNED RATE ADJUSTMENTS FOR MARKET
DOMINANT POSTAL PRODUCTS AND LIMITED CLASSIFICATION CHANGES

(Issued February 14, 2008)

I. OVERVIEW

A. Background

On February 11, 2008, the United States Postal Service (Postal Service) filed with the Postal Regulatory Commission (Commission) a document captioned United States Postal Service Notice of Price Adjustment (Adjustment Notice).¹ This document was filed pursuant to 39 U.S.C. 3622(d)(1)(C) and part 3010 of the Commission's Rules of Practice and Procedure. It announces the Postal Service's intention to adjust rates for all products in its market dominant business category on May 12, 2008, in amounts

¹ See also United States Postal Service Notice of Filing Supplement to Appendix A, *New Prices and Fees*, to Notice of Market-Dominant Price Adjustment (February 12, 2008) *Errata*, February 12, 2008 (Errata). The Errata supplies price charts that were missing from Appendix A in the Postal Service's February 11, 2008 filing for seven non-ancillary special services. The section in this notice on special services provides further details.

that are, on average, within a 2.9 percent statutory price cap for each class. The Commission notes that the average change, in some instances, includes significant percentage changes within a class. Moreover, in limited situations, prices for some products in some classes do not change.

The Adjustment Notice also addresses several limited classification revisions affecting single-piece domestic International Mail and identifies a limited classification change affecting Periodicals. The International Mail changes are largely designed to mirror the domestic structure. The Periodicals change reflects a provision in the Postal Accountability and Enhancement Act of 2006 (PAEA) extending a rate preference to certain mailers.

B. Context

The filing of the Adjustment Notice marks the first instance in which the Postal Service is exercising its authority, under the PAEA and related Commission rules, to make an annual adjustment in rates for products in the market dominant category under a new streamlined, index-based approach. The market dominant product category is one of two business lines established in the PAEA. It includes First-Class Mail letters and sealed parcels; First-Class Mail cards; Periodicals; Standard Mail; Single-piece Parcel Post; Media Mail; Bound Printed Matter; Library Mail; Special Services; and Single-piece International Mail. 39 U.S.C. 3621. The other line is the Competitive Products category, which includes Priority Mail; Expedited Mail; Bulk Parcel Post; Bulk International Mail; and Mailgrams.² 39 U.S.C. 3631. Rate and fee adjustments for each business category are governed by different procedures.

C. Statutory Price Cap

The statutory price cap is a new mechanism for adjusting rates for market dominant products, and a key element in the new process for changing postal rates

² Mailgram service was terminated on August 17, 2006. See *Postal Bulletin* 22192, October 26, 2006, at 5.

established pursuant to the PAEA. It represents a weighted annual increase in the CPI-U for the past 12 months, calculated under Commission rules implementing the PAEA.³ The price cap was expressly adopted in the PAEA and, in conjunction with a short review period, replaces a much longer, more litigious, trial-type ratemaking approach that was in place since 1970.

II. IMPACT ON MAILERS

Summary. The planned adjustments, summarized in terms of percentage change at the class level, are: First-Class Mail, 2.889 percent; Standard Mail, 2.875 percent; Periodicals, 2.710 percent; Package Services, 2.876 percent; and Special Services, 2.848 percent. Each percentage is below the statutory price cap. Adjustment Notice at 5.

The First-Class stamp. The planned change in the First-Class postage stamp, which is widely used by the general public for eligible mail weighing an ounce or less, is an increase of 1 cent. This raises the rate from its current level of 41 cents to 42 cents. For the second ounce of First-Class single-piece mail, the planned rate goes from 58 cents to 59 cents, on the same basis. *Id.* at 3; Appendix A at 1.

The Forever Stamp. As a result of Docket No. R2006-1, the Postal Service introduced a First-Class Mail “Forever Stamp.” The price of this stamp at the time of its introduction was 41 cents, which equated to the Docket No. R2006-1 price for the first ounce of single-piece First Class Mail. This stamp will continue to be sold for 41 cents until May 12, 2008, and will cover postage for mailing single-piece First-Class Mail even after the anticipated price increase to 42 cents on May 12, 2008. However, on and after May 12, under the planned adjustments, a new purchase of a Forever Stamp will be at the 42-cent rate. These stamps, like the original issue, will continue to cover the mailing of one-ounce single-piece First-Class Mail, regardless of future increases in the underlying rate.

³ The reference to CPI-U is to the Department of Labor’s Consumer Price Index for All Urban Consumers.

III. UNUSED RATE ADJUSTMENT AUTHORITY

The Postal Service notes that it has no unused rate adjustment authority available for use in this price change. It further states that while it was its general intent to fully use its authority under the cap in this price change, it has not met the cap percentage precisely. It attributes this largely to the effect of rounding. *Id.* at 5. Accordingly, the Postal Service states that it is banking the residual amount below 2.9 percent for each class in accordance with the following schedule:

Table III-1	
Class	Percent Change
First-Class Mail	0.011%
Standard Mail	0.025
Periodicals	0.190
Package Services	0.024
Special Services	0.052

Id. at 5 (footnote omitted).

IV. CONSISTENCY OF ADJUSTMENT NOTICE WITH COMMISSION RULES

Relationship of streamlined procedures to intended implementation date.

Commission rules implementing the PAEA require the Postal Service to file notice of its intention to adjust market dominant rates at least 45 days prior to the intended implementation date. The Commission notes, in this instance, that the Postal Service is providing more than the minimum amount of notice, given that the anticipated effective date is May 12, 2008.

V. COMMISSION ACTION

In Docket No. RM2007-1, the Commission developed a set of procedures to carry out its review of an Adjustment Notice in accordance with the PAEA and pertinent provisions of the Administrative Procedure Act. Pursuant to these procedures, the filing of an Adjustment Notice triggers a requirement that the Commission establish a formal docket to review the consistency of the planned adjustments with regulations that subsume legal provisions, policy issues, and technical matters. Requirements related to public notice, official publication, public representation, a public comment period, and other matters also attach to the review.

The Commission takes several steps at this time in conformance with these requirements. First, it has posted the Postal Service's Adjustment Notice on its website, <http://www.prc.gov>. It also has made the Adjustment Notice available for copying and inspection during regular business hours (8 a.m. to 4:30 p.m.) at the Commission, 901 New York Avenue, NW, Suite 200, Washington, DC 20268-0001. Any subsequent Postal Service filings in this docket, along with any written comments and filings by others, also will be posted on the Commission's website and made available for public inspection and copying at the Commission during regular business hours.

Second, the Commission establishes the requisite formal docket, captioned Docket No. R2008-1, Notice of Price Adjustment, to conduct its mandatory review of the

Postal Service's planned rate adjustments. It notes that this review is conducted under the legal authority of 39 U.S.C. 3622.

The Commission's intention is to conduct this review by bringing its judgment to bear on the basis of the material presented in the Adjustment Notice, the objectives, factors and requirements of the PAEA, including referenced postal policies, Commission rules, and public comments.

Third, the Commission issues this notice addressing the Adjustment Notice and related matters, in conformance with rule 3010.13. It also directs the Secretary of the Commission to arrange for prompt publication of this notice and order in the *Federal Register*. It appoints Kenneth E. Richardson to represent the interests of the general public in conformance with rule 3010.13(a)(4).

Public comment period; focus of comments. The Commission designates a 20-day comment period starting from the date of the filing of the Adjustment Notice in conformance with rule 3010.13(a)(5). By operation of Commission rule 3001.15 on computation of time, the comment period, which otherwise would end on March 2, 2008, extends through close of business on March 3, 2008. Rule 3010.13(b) provides that public comments should focus primarily on whether planned rate adjustments comply with the following mandatory requirements of 39 U.S.C. chapter 36, subchapter I:

- (1) Whether the planned rate adjustments measured using the formula established in rule 3010.23(b) are at or below the annual limitation established in rule 3010.11; and
- (2) Whether the planned rate adjustments measured using the formula established in rules 3010.23(b) are at or below the limitations established in rule 3010.28.

Method for filing comments. The formal intervention process set out in the Commission's rules does not apply in this type of docket. Instead, interested persons are to submit comments electronically via the Commission's Filing Online system. The Commission will provide assistance to anyone not familiar with this method of filing.

Those seeking assistance should contact either the Docket Section at 202-789-6846 or Kenneth E. Richardson, the officer of the Commission in this case, at 202-789-6859.

Additional procedural steps; timetable. Rule 3010.13(c) provides that the Commission, within 14 days of the conclusion of the public comment period will determine, at a minimum, whether the planned rate adjustments are consistent with the annual limitation set forth in rule 3010.11; the limitations set forth in rule 3010.28; and 39 U.S.C. 3626, 3627 and 3629, and issue an order announcing its findings. In this instance, the deadline for the Commission's determination is March 17, 2008. If the planned rate adjustments are found consistent with applicable law by the Commission, they may take effect pursuant to appropriate action by the Postal Service Governors. In the event the Commission determines that planned rate adjustments are not consistent with applicable considerations, additional procedures apply. See rule 3010.13(c) through 3010.13(i).

VI. SUMMARY OF CONTENTS OF POSTAL SERVICE ADJUSTMENT NOTICE

Background. Commission rule 3010.14 requires the Postal Service to include certain explanatory and supporting information in each Adjustment Notice, but leaves organization of the notice and presentation of the requisite material to the discretion of the Postal Service. The purpose of the information the Postal Service provides is to facilitate expeditious review of the consistency of the Adjustment Notice with pertinent considerations.

Organization of Adjustment Notice. The Adjustment Notice in this docket consists of an introductory section; three sections designated as parts; four appendices; six attachments; a request for confidential treatment for certain International Mail data; and a conditional motion for waiver.⁴

Introductory section. The Postal Service identifies the planned effective date as May 12, 2008, in conformance with rule 3010.14(a)(2), in the general introduction. It

⁴ See Adjustment Notice at 1 and 4.

also represents, in conformance with the notice requirements of rule 3010.14(a)(3), that it will issue public notice of the planned rate changes at least 45 days before the effective date via several means in addition to its Adjustment Notice. Specifically, it states that this includes issuing notice of the price changes, on the same day of its filing with the Commission, on the Postal Service's website (<http://www.usps.com>), the Postal Explorer website (<http://www.pe.usps.com>), the *DMM [Domestic Mail Manual] Advisory*, and the *P&C [Producers and Consumers] Weekly*; and a press release announcing the changes. The Postal Service also states that it plans to provide public notice of the price changes in future issues of the *PCC [Postal Customer Council] Insider*, *MailPro* (March/April issue) and the *Postal Bulletin*. *Id.* at 1-2.

The Postal Service identifies Joseph D. Moeller, Manager of Pricing, as the Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission. In the remainder of the Adjustment Notice, it provides supporting technical information and justifications, including workpapers where applicable. Rules 3010.13(a)(1), 3010.13(a)(3), 3010.13(a)(4), and 3010.14(b). *Id.*

Part I. The Postal Service represents that the material presented in Part I, captioned Price Cap Compliance, complies with rules 3010.14(b)(1) through (4) by identifying the amount of the applicable price cap; the percentage change in prices for each class of mail; the amount of any unused rate (price) adjustment authority available for each class of mail; and the amount of any unused rate adjustment authority generated by this price change. *Id.* at 5. It notes that the instant price change, in its view, does not include any “new workshare discounts” within the meaning of rule 3010.14(c). *Id.* at 5-6 and 6, n.7.

Part II. The Postal Service represents that the material presented in Part II, captioned Description of the Prices, responds to rules 3010.14(b)(7) and (8). These rules require the Postal Service to discuss how the planned price “help achieve” the objectives of section 3622(b) and “properly take into account” the factors of section 3622(c); and how the planned prices are consistent with sections 3626, 3627 and 3629.

Part III. The Postal Service represents that Part III, captioned MCS [Mail Classification Schedule] Product Description Changes, responds to the requirement in rule 3010.14(b)(9) that the instant notice include all the changes to the product descriptions within the MCS that are necessitated by the planned rate adjustments. *Id.* at 37. These changes use the draft MCS submitted by the Postal Service on September 24, 2007, as supplemented on November 20, 2007, as a base. *Id.*

Appendices. The Adjustment Notice is accompanied by four appendices. The appendices are identified as Appendix A, New Prices and Fees; Appendix B, Worksharing Passthrough Tables; Appendix C, Changes to (Proposed) Mail Classification Schedule Language; and Appendix D, Price Cap Calculation.

Attachments. The attachments consist of workbooks the Postal Service has prepared demonstrating how the prices identified in the appendices comply with the price cap. The five public attachments are identified as USPS-R2008-1/1: First-Class Mail Cap Compliance; USPS-R2008-1/2: Standard Mail Cap Compliance; USPS-R2008-1/3: Periodicals Cap Compliance; USPS-R2008-1/4: Package Services Cap Compliance; and USPS-R2008-1/5: Special Services Cap Compliance. The non-public attachment is identified as USPS-R2008-1/NP1: Inbound Single-Piece First-Class Mail International — Letter-Post (Input to Attachment USPS-R2008-1/1). In support of its request for confidential treatment for this appendix, the Postal Service invokes 39 U.S.C. 410(c)(2).

Conditional motion for waiver. The Postal Service observes, in a footnote to its Adjustment Notice, that it believes that it has complied with all requirements in the Commission's rules; however, to the extent that the Commission concludes otherwise, it moves for a waiver. *Id.* at 1.

VII. CLASS-SPECIFIC SUMMARY OF PRICE ADJUSTMENTS

A. First-Class Mail

The Postal Service identifies six First-Class Mail products: Single-piece Letters/Postcards, Presorted Letters/Postcards, Flats, Parcels, Outbound Single-piece First-Class Mail International, and Inbound Single-piece First-Class Mail International. The planned price changes for these products, in percentage terms, range from 1.93 percent to 3.55 percent. Product-specific changes appear in the following table.

Product	Percent Change
Single-Piece Letters & Cards	2.50%
Presort Letters & Cards	3.55
First-Class Flats	1.93
First-Class Parcels	2.18
International	3.09*
Overall	2.889
*This includes Inbound and Outbound Single-piece First-Class Mail International.	

Id. at 13.

The Postal Service states that a major driver of the overall increase for First-Class Mail is the price of a stamp for one-ounce, single-piece letters. It plans to increase this price by 1 cent (2.44 percent), which is slightly less than CPI. This increase also reflects the integer (cent) rounding constraint traditionally applied to this price. The Postal Service notes that as a result, the presort letters/postcard product has a modest above-the-cap increase. *Id.*

Recognition of shape. The Postal Service states that it has only modestly increased the recognition of shape in First-Class Mail flats and parcels on a per -piece basis, given recent large increases for those shapes in Docket No. R2006-1. *Id.*

Nonmachinable surcharge. The Postal Service states that it has set the nonmachinable surcharge for single-piece and non-automation presort letters at 20 cents to increase recognition of nonmachinability in prices. *Id.*

B. Standard Mail

The Postal Service identifies six Standard Mail products: Letters; Flats; Parcels and Not-Flat Machinables (NFMs); High Density and Saturation Letters; High Density and Saturation Flats and Parcels; and Carrier Route Letters, Flats, and Parcels. The planned price changes for these products, in percentage terms, range from 0.86 percent to 9.66 percent. Product-specific changes appear in the following table.

Product	Percent Change
Letters	3.39%
Flats	0.86
Parcels and NFMs	9.66
High Density/Saturation Letters	1.66
High Density/Saturation Flats and Parcels	2.09
Carrier Route Letters, Flats and Parcels	2.99
Overall	2.875

Id. at 15.

The Postal Service states the price changes for the Letters and Flats products reflect its decision to moderate increases for catalog and other flats mailers due to the large price increases they experienced last year. It explains that to moderate price increases for flats, it has increased prices for letters by slightly more than the cap. The prices for flats increase by less than the increase in CPI-U (0.86 percent). The Postal

Service says that when combined with the change for carrier route, which increases by 2.99 percent, flats as a whole increase by 1.67 percent. *Id.*

The Postal Service also asserts that it is reducing the flats pound price slightly in absolute terms to provide some additional relief for catalogs. It notes that in some instances, more highly presorted catalogs weighing more than the break point will experience modest price reductions. *Id.* at 15-16. The Postal Service maintains that by lowering the marginal cost of adding pages, the pound price reduction will also encourage catalog mailers to add content to their catalogs. *Id.* at 16.

Standard Mail parcels. The Postal Service notes that Standard Mail parcels experience relatively large price increases, reflecting the higher costs of processing compared to other shapes. It says this “will help bolster their contribution.” *Id.* The Postal Service also states that the current price structure leads to less efficient transportation and entry practices, and asserts that the new prices move toward providing parcels with “better cost coverage and encourage efficient dropship behavior by increasing the incentive to take parcels to the delivery unit.” *Id.* It further states that its pricing for parcels “is also a further step in the Postal Service’s ongoing harmonization of all of its parcels offerings.” *Id.*

Carrier route mail. The Postal Service characterizes its approach to carrier route mail as one that only modestly raises the pound price and results in an increase that is very close to the cap. It asserts that carrier route mail tends to have market characteristics that are more similar to non-carrier route Standard Mail than to the saturation mail with which it was formerly grouped. It claims that with the advent of delivery point sequencing of letters and the expected implementation of the Flats Sequencing System (FSS), the relationship between carrier route and less-dense preparation will remain important. It says it expects to continue monitoring the pricing of flats mail as FSS advances, and will make adjustments as necessary to take full advantage of FSS operations while considering the implications for customers. *Id.*

Saturation and high-density mail. The Postal Service says it plans modest, below-cap increases for saturation and high-density Standard Mail. Under its approach,

the pound price decreases slightly, which the Postal Service asserts is consistent with its recent pricing proposals for saturation-type mail. *Id.* It says that while it believes that further consideration of the pound price is warranted, it has chosen to make a small, incremental reduction this year. It says that a lower pound price should help to encourage saturation mailers to increase their content, as this is the price mailers use when deciding whether it is economical to put additional inserts and weight into saturation mailings. *Id.* at 16-17.

Other efficiency-related adjustments. The Postal Service notes that it makes several additional adjustments designed to improve mail processing efficiency. It says some, like increased dropship discounts for parcels and increased incentives for automation, are discussed in more detail in Part II.C. of its Adjustment Notice. *Id.* at 17. It says it also widens the price gap between saturation letters and flats brought to the destination sectional center facility, on the expectation that this will reduce the incentive for some mailers to convert letter-size mail pieces to flats, which are not as efficient to process and deliver. *Id.*

C. Periodicals

The Postal Service identifies two Periodicals products: Within County Periodicals and Outside County Periodicals. The planned price changes are relatively close and both are below the cap. Product-specific changes appear in the following table.

Table VII-3	
Product	Percent Change
Outside County	2.713%
Within County	2.630
Overall	2.710

Id. at 17.

Outside County. The Postal Service notes that Outside County Periodicals prices were restructured last July, and asserts that this resulted in large price increases for some customers groups, particularly smaller publications. It says it has therefore sought to limit the degree to which the increase for any one price element varies from the average increase for the product, in the interest of reducing the possibility of substantially greater-than-average price increases for any publication. *Id.* at 17-18. It says that Periodicals efficiency incentives “have generally been maintained at their current levels.” *Id.* at 18. It asserts that this will allow Periodicals mailers to continue adjusting to the new framework while allowing the Postal Service to continue studying the effect of the new structure on mailers. It asserts that in future price adjustments, it will be able to use this information, as well as the banked pricing authority (of 0.190 percent) generated by the planned increase in this case in pricing decisions to improve the profitability of Periodicals. *Id.*

The Postal Service also notes that its FY 2007 Annual Compliance Report indicated that Periodicals was the only class of mail that did not cover its attributable costs in the last fiscal year. It asserts, however, that the new Periodicals price structure was only in effect for a small part of FY 2007, and that the cost coverage calculated for that year is therefore based primarily on the costs and revenues resulting from Docket No. R2005-1 prices. It says the new structure is expected to have cost-savings benefits as mailers respond to the incentives it creates. It concludes that an increase in May of this year, in conjunction with last July’s increase and increased mailer response to the new structure, should help move Periodicals toward cost-compensatory status. The Postal Service also says it is working to further understand and reduce Periodicals costs, and has assembled a task force for that purpose, consistent with section 708 of the PAEA. *Id.*

D. Package Services

The Postal Service identifies five Package Services products: Single-Piece Parcel Post, Bound Printed Matter Flats, Bound Printed Matter Parcels, Media

Mail/Library Mail, and Inbound Surface Parcel Post (at Universal Postal Union (UPU) rates). The planned price changes range from a low of 0.42 percent to a high of 4.54 percent. Product-specific changes appear in the following table.

Product	Percent Change
Single-Piece Parcel Post	3.30%
BPM Flats	0.42
BPM Parcels	2.10
Media Mail and Library Mail	4.54
Inbound Surface Parcel Post	2.62*
Overall	2.876
<small>* The Postal Service notes that prices for Inbound (International) Surface Parcel Post (at UPU rates) are determined by the Universal Postal Union and are not under its (the Postal Service's) control. <i>Id.</i> at 19, n.15.</small>	

Id. at 19.

Media Mail/Library Mail. The Postal Service states that in Package Services, it has focused on improving the profitability of Media Mail/Library Mail and single-piece Parcel Post. It notes that the most recent Annual Compliance Report indicates that Media Mail/Library Mail have a very low cost coverage, so it plans to increase the prices for this product by an overall percentage greater than the cap. However, the Postal Service maintains that the prices for this product remain relatively low, in recognition of its “educational, scientific, cultural, and informational value.” *Id.* The Postal Service further notes that within this product, the prices for the 5-digit presort categories increase by greater than the product average. It asserts these categories currently receive discounts that exceed avoided costs by more than is necessary, so the discounts are accordingly reduced. *Id.*

Single-piece Parcel Post. The Postal Service plans to raise the prices for single-piece Parcel Post slightly above the cap to improve its cost coverage. It says that within

this product, and consistent with its approach in Docket No. R2006-1, it plans to increase intra-BMC prices by more, on average, than inter-BMC prices. *Id.* It says the overall average price increase is 5.79 percent for intra-BMC and 2.56 percent for inter-BMC, for a combined average increase of 3.30 percent. *Id.* at 19-20.

The Postal Service adds that no intra-BMC base (machinable) prices decrease, but says “a handful” of inter-BMC base prices decrease, by up to 5 percent (Oversized, Zone 8). It also says that because non-machinable Parcel Post parcels were on average smaller in FY 2007 than in previous years, both the intra-BMC and inter-BMC nonmachinable surcharges are reduced by 5 percent. *Id.* at 20.

Bound Printed Matter (BPM). The Postal Service plans to set BPM prices below the price cap, to offset the larger increases in single-piece Parcel Post and Media Mail/Library Mail, and to remain below the price cap. *Id.* Within BPM, the prices for flats (which the Postal Service identifies as primarily heavy catalogs) increase by a lesser percentage than parcels (which primarily reflect order fulfillment). The Postal Service says this continues, but does not conclude, the shape-based de-averaging that began in Docket No. R2001-1, and that it reflects the overall lower costs of processing and delivering flats, as opposed to parcels, and is designed to encourage increased volume of lower-cost, flat-shaped catalogs. *Id.*

In addition, the Postal Service says it increases the pound prices for both parcels and flats “to ensure better coverage of transportation costs, particularly for short-distance mail pieces, and to harmonize the BPM pricing structure with other Package Services prices.” The Postal Service says these changes lead to larger price increases for heavier weight pieces, and for closer-in zones, and to relatively smaller increases for some lighter pieces and pieces going to farther zones. *Id.*

Dropship discounts. The Postal Service plans to reduce the dropship discounts to destination bulk mail centers and destination sectional center facilities, and to increase the discount to destination delivery unit, on grounds that this will provide more efficient price signals. It asserts that the first two discounts are too heavily discounted relative to their avoided costs, while the third needs to be increased. *Id.* at 21.

E. Special Services

The Postal Service identifies 11 Special Services products: Ancillary Services; International Ancillary Services; Address List Services; Caller Service; Change-of-Address Credit Card Authentication; Confirm; International Reply Coupon Service; International Business Reply Mail Service; Money Orders; Post Office Box Service; and Premium Forwarding Service. The planned overall increase is 2.848 percent. *Id.* The Postal Service did not present a product-specific table of changes.⁵

The Postal Service states that for many Special Services, fee increases were generally designed to be close to the percentage increase in CPI-U, while maintaining consistency with historical rounding constraints. *Id.* It says that Special Services affected by this approach include Business Reply Mail; Certified Mail; Caller Service; Address List Services (for example, List Correction and ZIP Coding of mailing lists); Account Maintenance; Application and Mailing Permit fees; Parcel Airlift Service; Post Office Boxes; Return Receipt (the Green Card); electronic Signature Confirmation; Shipper Paid Forwarding; and Special Handling. *Id.* The Postal Service states the greater increases for Electronic Return Receipt and Return Receipt After Mailing reflect their high value of service. *Id.* at 21, n.17.

Certified Mail. The Postal Service observes that Certified Mail has a significant effect on the percentage increase for this class. It says that the Certified Mail fee, with a nickel rounding constraint, increases by 5 cents, or 1.9 percent. The Postal Service says this was chosen, rather than the alternative increase of 10 cents, or 3.8 percent, because a 3.8 percent increase for Certified Mail, coupled with its relatively large size, would have required many other fees within Special Services to be priced well below

⁵ The Errata supplies price charts that were missing from Appendix A in the Postal Service's February 11, 2008 filing for the following non-ancillary special services: 1515 Address List Services; 1520 Caller Service; 1525 Change-of-Address Credit Card Authorization; 1530 Confirm; 1545 Money Orders; 1550 Post Office Box Service; and 1555 Premium Forwarding Service. The Errata also states that three incorrect insurance fees have been identified on page 31 of 35 of Appendix A. It provides a revised page 31 with the correct fees. The Postal Service says it will post amended or corrected versions of all prices and fees in locations under the control of the Postal Service.

the cap. The Postal Service considers this contrary to the high value many of the other fees provide. *Id.* at 22.

Address Correction Service (ACS). For ACS, the Postal Service says the price increases are designed to address increased costs and reflect the value this service provides. It states that two of the fees (the One Code ACS “additional notices” fee for First-Class Mail letters and the One Code ACS “first two notices” fee for Standard Mail letters) increase by \$0.01. *Id.* It says the additional notice fee for Standard Mail increases by \$0.03, paralleling the percentage increase for First-Class Mail. It says no price changes are made to the Manual and Electronic “Other” fees, to encourage better addresses. *Id.*

Certificate of Mailing. The Postal Service asserts that in Certificate of Mailing, it designed fees for individual pieces to increase by a percentage as close to the cap percentage as possible, consistent with the historical nickel rounding constraint for this special service. However, it increases fees for Certificates of Mailing for bulk pieces slightly above the cap to reflect the low price compared to a high value of service. *Id.*

Confirm. The Postal Service observes that there has been a recent decrease in the number of end user subscribers for Confirm. It says that the planned new prices nonetheless retain the existing unlimited scan option, but that this tier receives a larger increase to reflect the changing subscriber base. *Id.*

Insurance. The Postal Service states that the planned above-average price increases for the \$50.01 to \$100 fee and the \$100.01 to \$200 fee are intended to smooth the price relationships among the various increments. It says the increase in the incremental fee reflects the increased value of service provided as the item's value increases. *Id.* at 22-23.

Registered Mail. The Postal Service plans to increase fees for Registered Mail by an average of 7.3 percent to reflect the high value of service offered, and to improve the very low cost coverage. *Id.* at 23.

Stamped Envelopes. The Postal Service does not plan to increase the fees for single-piece stamped envelopes in recognition of the users of these envelopes. It says

it keeps the fees for plain envelopes in packs of 500 as close to the cap as possible within the rounding constraints. Fees for personalized envelopes, however, increase by more than the cap to reflect the convenience this service provides. *Id.*

Stamped Cards. The Postal Service plans to increase the fee for a single Stamped Card by the minimum amount of \$0.01, which is a 50 percent increase. It also increases the other Stamped Cards fees by 50 percent. *Id.*

Bulk Parcel Return Service. The Postal Service states that the increase in the per-piece fee is similar to the general increase for Standard Mail parcels, which comprises this category. *Id.*

Restricted Delivery, Collect on Delivery Notice of Nondelivery and Alteration of Charges, and Money Order inquiries. The Postal Service says the larger-than-average fee increases for these services reflect their high value of service. *Id.*

International special services. The Postal Service says its general approach to international special services has been to set fees for those services that are similar to the fees for the equivalent domestic service, and that it has followed this approach for International Certificates of Mailing; International Registered Mail; International Return Receipts; and International Restricted Delivery. *Id.* at 23.

VIII. MAIL CLASSIFICATION SCHEDULE PRODUCT DESCRIPTION CHANGES

The Postal Service addresses rule 3010.14(b)(9) in Part III of its Adjustment Notice. *Id.* at 37-38. This rule requires that the Adjustment Notice include all the changes to the product descriptions within the MCS that are necessitated by the planned price adjustments. The Postal Service provides the proposed MCS revisions in Appendix C. It notes that the changes are based on the draft MCS it submitted on September 24, 2007 (as supplemented on November 20, 2007). *Id.* at 37. Revisions are made to the MCS in Outbound Single-Piece First-Class Mail International and in Outside County Periodicals.

International Mail. The MCS changes related to International Mail reflect changes to the International Mail Manual (IMM) that expand the number of country

groups for First-Class Mail International to nine; implement the new shape-based prices for letters, large envelopes (flats), and packages (small packets); and apply the nonmachinable surcharge to all nonmachinable letters, regardless of weight. The Postal Service states that notice of the IMM changes is being placed on <http://www.USPS.com> and will be published shortly in the *Federal Register*. *Id.*

Outside County Periodicals. The Postal Service states that the MCS revisions for this product reflect the changes to the Domestic Mail Manual (DMM) required to implement section 3626(g)(4), which authorizes the provision of a discount for the Outside County pieces of a Periodicals publication having fewer than 5,000 Outside County pieces, and at least one Within County piece. The Postal Service states that the DMM changes implementing this new discount are being placed on <http://www.USPS.com> and will be published shortly in the *Federal Register*. *Id.* at 37-38.

IX. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2008-1 to consider the planned price adjustments in rates and fees for market dominant postal products and services identified in the Postal Service's February 11, 2008 Notice of Market-Dominant Price Adjustment.
2. The Commission establishes a 20-day period for public comment on the planned price adjustments. This period extends through March 3, 2008.
3. The Commission appoints Kenneth E. Richardson as officer of the Commission to represent the interests of the general public in this proceeding.

4. The Commission directs the Secretary of the Commission to arrange for prompt publication of this notice in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary