

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

Before Commissioners:

Dan G. Blair, Chairman;
Mark Acton, Vice Chairman;
Ruth Y. Goldway;
Tony L. Hammond; and
Nanci E. Langley

Competitive Product Prices
Inbound Direct Entry Contracts
With Foreign Postal Administrations

Docket No. MC2008-6

Competitive Product Prices
Inbound Direct Entry Contracts (MC2008-6)
China Post Group

Docket No. CP2008-14

Competitive Product Prices
Inbound Direct Entry Contracts (MC2008-6)
Hong Kong Post

Docket No. CP2008-15

NOTICE AND ORDER CONCERNING PRICES
UNDER INBOUND DIRECT ENTRY CONTRACTS
WITH FOREIGN POSTAL ADMINISTRATIONS

(Issued August 13, 2008)

On August 5, 2008, the Postal Service filed three requests incorporating notices, pursuant to 39 U.S.C. 3642, 39 CFR 3030 *et seq.*, which have been assigned to Docket Nos. MC2008-6, CP2008-14 and CP2008-15, announcing prices and classification changes for competitive products not of general applicability.¹ The request in Docket

¹ Case captions for cases such as those involving negotiated agreements for competitive products should be standardized. The first line in the caption should list "Competitive Product Prices". The second line should list the product and the docket of the case that created that product. The third line should list the contracting party or "Negotiated Service Agreement" if the contracting party is confidential information.

No. MC2008-6 informs the Commission that “the Governors have established prices and classifications not of general applicability for Inbound Direct Entry Contracts with Foreign Postal Administrations,” and attaches a redacted copy of the Governors’ Decision.² See Request, Attachment 1. The Postal Service also attached a revision of the draft Mail Classification Schedule (MCS) (section 2612) concerning Inbound Direct Entry Contracts to the Notice.³ See Request, Attachment 1, Attachment A.

In support of these dockets, the Postal Service filed a Statement of Supporting Justification of Pranab Shah. See Request, Attachment 2. The Postal Service has also filed materials under seal, including the unredacted Governors’ Decision in Docket No. MC2008-6. The Postal Service claims that “[p]rices and other contract terms relating to the foreign posts’ processes and procedures are highly confidential in the business world ... [and that its] ability ... to negotiate individual contracts would be severely compromised if prices ... [for] these types of agreements were publicly disclosed.” Request at 2-3.

Docket Nos. CP2008-14 and CP2008-15 announce specific Inbound Direct Entry Contracts that the Postal Service has entered into with the individual Foreign Postal Administrations, namely China Post Group and Hong Kong Post, respectively.⁴ *Id.* In support of these dockets, the Postal Service has also filed materials, including the contracts and supporting certifications, under seal.⁵

The Postal Service’s filings in these dockets are related. Docket No. MC2008-6 establishes, in essence, a shell classification, while Docket Nos. CP2008-14 and

² Request of United States Postal Service to Add Inbound Direct Entry Contracts With Foreign Postal Administrations to the Competitive Product List, and Notice of Filing (Under Seal) The Enabling Governors’ Decision and Two Functionally Equivalent Contracts with Foreign Posts, August 5, 2008 (Request).

³ The draft MCS remains under review. The Commission anticipates providing interested persons an opportunity to comment on the draft MCS in the near future.

⁴ The Commission characterizes the Governors’ Decision and associated materials filed in Docket No. MC2008-6 as material that supports the specific negotiated service agreements filed in Docket Nos. CP2008-14 and CP2008-15.

⁵ See PRC Order No. 95, August 11, 2008, at 2 regarding the filing of certifications under seal.

CP2008-15 are specific agreements negotiated pursuant to the conditions of the shell classification. Given this interrelationship, the Commission reviews these proceedings together in this Order.⁶

In Order No. 43, the Commission issued regulations establishing a modern system of rate regulation, including a list of competitive products. Docket No. RM2007-1, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, ¶¶ 3061 and 4013. Among other things, the Commission determined that each negotiated service agreement would initially be classified as a separate product. The Commission also acknowledged, however, the possibility of grouping substantially equivalent agreements as a single product if they exhibit similar cost and market characteristics. *Id.*, ¶¶ 2177 and 3001. In its filings, the Postal Service contends that these two agreements are premised on similar cost and market characteristics and provides arguments to support this claim. Request at 5-6. Thus, the Postal Service requests that the Commission classify the two agreements filed in Docket Nos. CP2008-14 and CP2008-15 as part of the same product.

Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642. Comments are due no later than August 26, 2008.

Pursuant to 39 U.S.C. 505, Paul L. Harrington is designated to serve as officer of the Commission (Public Representative) to represent the interests of the general public in the above-captioned dockets.

⁶ While this Order treats these proceedings together due to their interrelated nature, future filings should be made in the docket related to the issues being addressed.

It is Ordered:

1. Docket Nos. MC2008-6, CP2008-14, and CP2008-15 are established to consider the Postal Service Request and related contracts referred to in the body of this Order.
2. Comments by interested persons on issues in these proceedings are due no later than August 26, 2008.
3. The Commission designates Paul L. Harrington as Public Representative to represent the interests of the general public in these proceedings.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary