

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

Before Commissioners:

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

Notice of Price Adjustment

Docket No. R2009-2

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

(Issued February 12, 2009)

I. OVERVIEW

A. Background

On February 10, 2009, the United States Postal Service (Postal Service) filed with the Postal Regulatory Commission (Commission) a document captioned United States Postal Service Notice of Market-Dominant Price Adjustment (Adjustment Notice). This document was filed pursuant to 39 U.S.C. 3622 and 39 CFR part 3010. It announces the Postal Service's intention to adjust rates for all market dominant products in amounts that are, on average, within a 3.8 percent statutory price cap plus the unused pricing authority remaining from Docket No. R2008-1 for each class. The planned price adjustment for most market dominant products will take effect on May 11, 2009. The exceptions are new prices related to a full-service option of Intelligent Mail

which will take effect on November 29, 2009, and Personalized Stamped Envelopes options which will have their effective dates established by separate notice. The Commission notes that the average change, in some instances, includes significant percentage changes within a class. The Commission further notes that several worksharing discounts vary significantly from passing through 100 percent of avoided costs.

The Adjustment Notice also addresses several mail classification changes the most sweeping of which provides a price differential for mailers who use the full-service option of Intelligent Mail and comply with mail preparation requirements. The Postal Service plans a November 29, 2009 price reduction of 0.3 cents for full-service option Intelligent Mail within First-Class Mail, and 0.1 cents for full-service option Intelligent Mail within Standard Mail, Package Services, and Periodicals Mail.¹ Address Change Service (ACS) will be included with the full-service option of Intelligent Mail for Periodicals, providing the additional benefit of not having to incur the separate cost of ACS which is required for all Periodicals. Mailers can avail themselves of this price differential if they meet specific criteria, including a requirement that each piece have a unique Intelligent Mail barcode, be part of a mailing with unique container labels, and use electronic documentation.

Additional class-specific classification changes also are planned. A minor classification change is made in First-Class Mail to separate the current "Canada and Mexico" Outbound Single-Piece First-Class Mail International Postcard category into two distinct price categories.

Standard Mail will be subject to an additional 7 cents per-piece charge for mailings not compliant with the Move Update requirements. The Postal Service is planning an optional feature called "Saturation Mail Volume Program" to encourage new Saturation mail volumes. It is revising pricing categories for Standard Mail Not Flat-

¹ Although the Adjustment Notice does not discuss a price differential for Package Services, Appendix A at 49 and 51 indicates the availability of the price differential for certain Bound Printed Matter Flats.

Machinable (NFM)/Parcels and slightly modifying Domestic Mail Manual eligibility rules for those categories.

The Postal Service plans to change the Single-Piece Parcel Post price structure by merging the Intra-BMC [bulk mail center] and Inter-BMC prices into a single Parcel Post price category and deleting the non-machinable surcharge. Also descriptions for Zones 1-8 are added to the Mail Classification Schedule.

Within special services, the Postal Service plans to modify Confirm by adding a new Bronze subscription level, and make changes to the Gold and Platinum levels to differentiate between mail owners and mail agents. The Stamped Envelopes product is supplemented with premium options available for personalized stamped envelopes. Finally, changes are made to Address Correction Service to incorporate the full-service option of Intelligent Mail.

B. Context

The filing of the Adjustment Notice marks the second instance in which the Postal Service is exercising its authority, under the Postal Accountability and Enhancement Act of 2006 (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, generally, 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 second business line is the competitive products category, which includes Priority Mail; Expedited Mail; Bulk Parcel Post; and Bulk International Mail. Specific market dominant product and the competitive product lists are published at 39 CFR Appendix A to Subpart A of Part 3020—Mail Classification Schedule. Rate and fee adjustments for each business category are governed by different procedures.

C. Statutory Price Cap

The statutory price cap limits the increase in rates for market dominant products to the change in the CPI-U for the past 12 months, calculated under Commission rules implementing the PAEA.² For the 12 months ending December 2008, the price cap is 3.8 percent.

II. IMPACT ON MAILERS

Summary. The planned adjustments, summarized in terms of average percentage change at the class level, are First-Class Mail, 3.771 percent; Standard Mail, 3.781 percent; Periodicals, 3.966 percent; Package Services, 3.800 percent; and Special Services, 3.837 percent. The unused pricing authority remaining from Docket No. R2008-1 by class are First-Class Mail, 0.014 percent; Standard Mail, 0.062 percent; Periodicals, 0.176 percent; Package Services, 0.025 percent; and Special Services, 0.052 percent. When combined with the current 3.8 percent statutory price cap, the total price adjustment authority by class are First-Class Mail, 3.814 percent; Standard Mail, 3.862 percent; Periodicals, 3.976 percent; Package Services, 3.825 percent; and Special Services, 3.852 percent. As calculated by the Postal Service, each percentage adjustment is below the allowable total price adjustment authority. Adjustment Notice at 3-5.

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 1 ounce or less, is an increase of 2 cents. This raises the rate from its current level of 42 cents to 44 cents. The additional ounce price and the non-machinable surcharge will be held at current levels. *Id.* at 12.

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

² The reference to CPI-U is to the Department of Labor's Consumer Price Index for All Urban Consumers.

introduction was 41 cents, which equated to the Docket No. R2006-1 price for the first ounce of single-piece First-Class Mail. The price of this stamp increased to 42 cent as a result of the Docket No. R2008-1 price adjustment. This stamp will continue to be sold for 42 cents through May 10, 2009, and will cover postage for mailing single-piece First-Class Mail even after the anticipated price increase to 44 cents on May 11, 2009. On and after May 11, under the planned adjustments, a new purchase of a Forever Stamp will be at the 44-cent rate. These stamps, like the original issue, will continue to cover the mailing of 1-ounce single-piece First-Class Mail, regardless of future increases in the underlying rate.

III. UNUSED RATE ADJUSTMENT AUTHORITY

The Postal Service states that the unused price adjustment authority remaining following this price change is accordance with the following schedule.

Class	Percent Change (%)
First-Class Mail	0.043
Standard Mail	0.081
Periodicals	0.010
Package Services	0.025
Special Services	0.015

Id. at 6.

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 11, 2009.

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. R2009-2, 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, Pamela A. Thompson, and William C. Miller to represent the interests of the general public in conformance with rule 3010.13(a)(4).

Public comment period; focus of comments. The Commission provides a 20-day comment period starting from the date of the filing of the Adjustment Notice in conformance with 39 CFR 3010.13(a)(5). The comment period extends through close of business on March 2, 2009. 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 1, including:

- (1) Whether the planned rate adjustments measured using the formula established in section 3010.23(b) are at or below the annual limitation established in section 3010.11; and
- (2) Whether the planned rate adjustments measured using the formula established in section 3010.23(b) are at or below the limitations established in section 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 the Docket Section at 202-789-6846.

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 section 3010.11; the limitations set forth in section 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 16, 2009. 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. In the event the Commission determines that planned rate adjustments are not consistent with applicable considerations, additional procedures apply. See 39 CFR 3010.13(c) through 3010.13(i).

VI. SUMMARY 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; three appendices; and five attachments.

Introductory section. The Postal Service identifies the planned effective date as May 11, 2009 for most price adjustments. It states that the new prices related to a full-service option of Intelligent Mail will take effect on November 29, 2009, and the Personalized Stamped Envelopes options will have their effective dates established by separate notice. It also represents, in conformance with the notice requirements of 39 CFR 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), the *Postal Bulletin*, and *Federal Register*. *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. 39 CFR 3010.13(a)(1), 3010.13(a)(3), 3010.13(a)(4), and 3010.14(b). *Id.* at 2.

Part I. The Postal Service represents that the material presented in part I, captioned Price Cap Compliance, complies with 39 CFR 3010.14(b)(1) through (4) by identifying the amount of the applicable price cap; the amount of any unused rate (price) adjustment authority available for each class of mail; the percentage change in prices for each class of mail; and the amount of any unused rate adjustment authority generated by this price change. *Id.*

Part II. The Postal Service represents that the material presented in part II, captioned Description of the Prices, responds to 39 CFR 3010.14(b)(7) and (8). These rules require the Postal Service to discuss how the planned prices "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. In addition, the Postal Service discusses the workshare discounts included within the planned price adjustments as required by 39 CFR 3010.14(b)(5) through (6). *Id.* at 6-7.

Part III. The Postal Service represents that part III, captioned MCS [Mail Classification Schedule] Product Description Changes, responds to the requirement in

39 CFR 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. These changes are presented based on draft MCS language that is being developed by the Commission in cooperation with the Postal Service. The draft MCS will be the subject of a future rulemaking, which will include the opportunity for public comment. *Id.* at 45.

Appendices. The Adjustment Notice is accompanied by three appendices. Appendix A provides the schedules of new prices and classification changes in Mail Classification Schedule format; Appendix B provides workshare discounts, cost differentials, and passthroughs; and Appendix C provides the price cap calculation.

Attachments. The attachments consist of workbooks the Postal Service prepared to demonstrate that the prices identified in the appendices comply with the price cap. The five attachments are identified as USPS-R2009-2/1: Cap Compliance for First-Class Mail Price Changes; USPS-R2009-2/2: Standard Mail Cap Compliance; USPS-R2009-2/3: Periodicals Cap Compliance; USPS-R2009-2/4: Package Services Cap Compliance; and USPS-R2009-2/5: Special Services Cap Compliance.

VII. CLASS-SPECIFIC SUMMARY OF PRICE ADJUSTMENTS AND CLASSIFICATION CHANGES

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 2.567 percent to 4.616 percent. Product-specific changes appear in the following table.

Table VII-1	
Product	Percent Change (%)
Single-Piece Letters & Cards	4.616
Presort Letters & Cards	3.080
Flats	3.882
Parcels	2.567
International*	4.136
Overall	3.771
*This includes Inbound and Outbound Single-piece First-Class Mail International.	

Id. at 11-12.

The Postal Service states that a major driver of the overall increase for First-Class Mail is the price of a stamp for 1-ounce, single-piece letters. It plans to increase this price by 2 cents (4.8 percent). This increase also reflects the integer (cent) rounding constraint traditionally applied to this price. The Postal Service asserts that the additional ounce price and the non-machinable surcharge are held at current levels, thus tempering the increase caused by the 2-cent increase on the first-ounce price for letters. *Id.* at 12.

Presort Letters and Cards. The Postal Service plans less-than-average increases in automation prices to help maintain letter volume. In addition, the Postal Service will make optional some requirements for presortation of automation First-Class Mail *Id.* at 13.

Classification changes. To facilitate the adoption of the full-service option of Intelligent Mail the Postal Service has added a price differential to the MCS for customers who use this option with First-Class Mail presorted letters and flats. The price when using this option is reduced by 0.3 cents from what otherwise would have been paid. The specific mail preparation requirements for this classification have not been fully specified. *Id.* at 14.

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 range from 1.248 percent to 16.425 percent. Product-specific changes appear in the following table.

Product	Percent Change (%)
Letters	3.829
Flats	2.306
Parcels and NFMs	16.425
High Density/Saturation Letters	1.248
High Density/Saturation Flats and Parcels	2.233
Carrier Route Letters, Flats and Parcels	4.310
Overall	3.781

Id.

The Postal Service states that the price change for the Flats product is lower than the price cap (2.306 percent) to moderate the increase for catalog mailers, whose volume fell considerably in FY 2008. Although FY 2008 data shows a cost coverage below 100 percent, the Postal Service asserts it is mitigating the price increase to maintain the viability of the catalog industry. It also is either reducing or limiting the increase of the pound rate category for the Flats product. *Id.* at 15.

The Postal Service notes that it is working to improve contribution for the Parcels and NFMs product. It plans a 16.425 percent average increase. However, incentives to dropship deeper into the system are enhanced to encourage more efficient transportation and entry practices. *Id.* at 16.

Classification changes. The Postal Service has planned new price incentives targeted at encouraging new Saturation mail volumes. The incentives will reduce the price for new Saturation letters mailed during defined periods by 3.7 cents (2.2 cents for nonprofit Saturation letters). *Id.*

The Postal Service is revising the pricing categories for Standard Mail Parcels/NFMs. There no longer will be a separate price for machinable parcels, irregular parcels, and NFMs presorted to 5-digit and entered at origin. For such pieces, the lowest price available will be the BMC price. Separate prices also will be eliminated for origin entered SCF [sectional center facility] irregular parcels and NFMs, DSCF [destination section center facility] entered BMC irregular parcels and NFMs, and DSCF and DBMC [destination bulk mail center] entered Mixed BMC irregular parcels and NFMs. *Id.* at 17.

To facilitate the adoption of the full-service option of Intelligent Mail, the Postal Service has added a price differential to the MCS for customers who use this option with Standard Mail. The price when using this option is reduced by 0.1 cents from what otherwise would have been paid. The specific mail preparation requirements for this classification have not been fully specified. *Id.* at 17-18.

The Postal Service changed mail preparation standards in November 2008 to require Standard Mail customers to use an approved Move Update method. Customers

not complying with the Move Update standard will be subject to a charge of 7 cents per piece. *Id.* at 18.

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	3.973
Within County	3.802
Overall	3.966

Id. at 19.

The Postal Service asserts that the Periodicals class has been challenging in terms of cost coverage. The Postal Service states that Periodicals is the only class of mail failing to cover attributable costs in FY 2008. It also is cognizant of the value of the class to the public. It contends the adjusted prices are designed to balance the impact on publications, while taking advantage of the new price structure that will improve the efficiency of the product. *Id.*

Classification changes. To facilitate the adoption of the full-service option of Intelligent Mail, the Postal Service has added a price differential for customers who use this option with Periodicals. The per-piece charge when using this option is reduced by 0.1 cents from what otherwise would have been paid. The specific mail preparation requirements for this classification have not been fully specified. *Id.* at 20.

Currently, Periodicals are required to use ACS and pay a fee of 25 cents per address change. By adopting the full-service option of Intelligent Mail, a publication

also qualifies for no-fee ACS, which, in itself, is a substantial incentive to use the full-service option. *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 2.0 percent reduction to an increase of 7.468 percent. Product-specific changes appear in the following table.

Table VII-4	
Product	Percent Change (%)
Single-Piece Parcel Post	4.450
BPM Flats	-2.000
BPM Parcels	2.504
Media Mail and Library Mail	7.468
Inbound Surface Parcel Post	5.027*
Overall	3.800
<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 20, n.16.</small>	

Id.

The Postal Service states that its overall goal in Package Services is to improve the profitability of the product. It notes that in FY 2008, Media Mail, Library Mail, and Single-Piece Parcel Post failed to cover costs, although the class as a whole had a positive cost coverage. Because Bound Printed Matter flats already have a healthy cost coverage, the Postal Service plans on reducing the average price for Bound Printed

Matter flats in order to offset the needed higher price increases for the lower performing products. *Id.* at 21.

Classification changes. The Postal Service plans to change the Single-Piece Parcel Post price structure by merging the Intra-BMC and Inter-BMC prices to create a single price at each weight level in each zone. The separate price for the Local zone is being merged with the Zones 1 and 2 prices. *Id.* at 21-22.

The current price structure for Single-Piece Parcel Post includes a surcharge for non-machinable parcels. The Postal Service is eliminating this surcharge and incorporating its effect into the base price. *Id.* at 22.

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 3.837 percent. *Id.* at 22-23.

The Postal Service states that fee increases for many Special Services are generally designed to be close to the percentage increase in CPI-U, while maintaining consistency with historical rounding constraints. *Id.* at 23. It says that Special Services affected by this approach include Business Reply Mail, and several Ancillary Services, including Certified Mail; Address List Services; Account Maintenance; Application and Mailing Permit fees; Parcel Airlift Service; Post Office Boxes; Return Receipt (green card); and Shipper Paid Forwarding. *Id.* The Postal Service states the greater increases for Electronic Return Receipt and Return Receipt After Mailing reflect their high value of service. *Id.*, n.17.

Address Correction Service (ACS). The Postal Service states that a significant portion of ACS will be incorporated into the full-service option of Intelligent Mail. It notes

that manual fees are not increased while Automated and Electronic fees have increases exceeding the cap. *Id.*

Certificate of Mailing. The Postal Service asserts that for 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 plans a classification change for Confirm by adding a new “Bronze” price tier, and new segments within the two existing tiers which differentiate between mail owners and mail agents. *Id.* at 24.

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.*

Registered Mail. The Postal Service plans to increase fees for Registered Mail by an average of 8.7 percent to reflect the high value of service offered, and to improve the very low cost coverage. *Id.*

Stamped Envelopes. The Postal Service plans to increase the fees for single-piece stamped envelopes by one cent. 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. The Postal Service states that it is enhancing the value of service by introducing new envelope options, some of which will be available on a date later than May 11, 2009. *Id.* at 24-25.

Stamped Cards. The Postal Service does not plan to increase the fee for single Stamped Cards. *Id.* at 25.

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. *Id.*

Restricted Delivery, Collect on Delivery Notice of Nondelivery and Alteration of Charges, and Money Order inquiries. The Postal Service says the 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.*

VIII. COMPLIANCE WITH PREFERRED MAIL REQUIREMENTS

The Postal Service explains its compliance with section 3626, which sets forth pricing requirements for certain preferred categories of mail. *Id.* at 25-27. It contends that the price adjustment continues to recognize the preferential status of Within County Periodicals. 39 U.S.C. 3626(a)(3). The Postal Service states that the rate adjustments maintain the rate preference for Nonprofit and Classroom pieces at a 5 percent discount on all components of postage except for advertising pounds and ride-along postage. 3626(a)(4)(A)-(B). The Postal Service continues to provide Science of Agriculture Periodicals with advertising pound rates for DDU [destination delivery unit], DSCF, DADC [destination area destination center] and Zones 1 & 2 that are 75 percent of the advertising pound rates applicable to regular Periodicals. 39 U.S.C. 3626(a)(5). Nonprofit Standard Mail prices are set to achieve a revenue per-piece ratio of 60.2 percent of the commercial average revenue per piece. 39 U.S.C. 3626(a)(6). The Postal Service states that it has set the prices for Library Mail to be, as nearly as practical, equal to 95 percent of the prices for Media Mail. 39 U.S.C. 3626(a)(7). Finally, the Postal Service states that it implemented a new "limited circulation" discount in 2008, which gives Outside County pieces of Periodicals having fewer than 5,000 Outside County pieces and at least one Within County piece a discount equivalent to the Nonprofit and Classroom Periodicals discount.

IX. COMPLIANCE WITH WORKSHARE DISCOUNT RULES

The Postal Service explains that section 3622(e) requires the Postal Service to justify any worksharing discounts that exceed 100 percent of avoided costs by reference to the exceptions specified in that provision. *Id.* at 27. In addition, 39 CFR 3010.14(b)(6) requires the Postal Service to explain any discount set substantially below 100 percent of avoided costs. *Id.* at 29. The workshare discounts, cost differentials, and passthroughs are shown in Appendix B. The accompanying explanations are provided on a class-by-class basis in the Adjustment Notice at pages 29-45.

X. MAIL CLASSIFICATION SCHEDULE PRODUCT DESCRIPTION CHANGES

The Postal Service addresses 39 CFR 3010.14(b)(9) in part III of its Adjustment Notice. *Id.* at 45-47. 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. These changes are presented based on draft MCS language that is being developed by the Commission in cooperation with the Postal Service. The draft MCS will be the subject of a future rulemaking, which will include the opportunity for public comment. The Postal Service provides the proposed MCS revisions in Appendix A.

Part III of the Adjustment Notice also summarizes the classification changes identified above in this notice and previously in the Adjustment Notice. It also identifies a further Outbound Single-Piece First-Class Mail International classification change which splits the current Canada and Mexico Postcard category into two distinct price categories. *Id.* at 46.

XI. ORDERING PARAGRAPHS

It is ordered:

1. The Commission establishes Docket No. R2009-2 to consider the planned price adjustments in rates and fees for market dominant postal products and services identified in the Postal Service's February 10, 2009 Adjustment Notice.
2. Interested persons may submit comments on the planned price adjustments. Comments are due March 2, 2009.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Kenneth E. Richardson, Pamela A. Thompson, and William C. Miller 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