

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
ROYAL MAIL INBOUND AIR PARCEL POST AGREEMENT
NEGOTIATED SERVICE AGREEMENT

Docket No. MC2009-24

COMPETITIVE PRODUCT PRICES
ROYAL MAIL INBOUND AIR PARCEL POST AGREEMENT (MC2009-24)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2009-28

**NOTICE OF UNITED STATES POSTAL SERVICE OF FILING REVISED
INFORMATION UNDER 39 C.F.R. § 3015.5(c)(1)
(May 12, 2009)**

On April 21, the Postal Service initiated this proceeding by filing a request and notice regarding the execution of an agreement for negotiated inward land rates for air parcels originating in the United Kingdom and tendered by Royal Mail. The Postal Service's filing was accompanied by information required by 39 C.F.R. § 3015.5(c)(1). The Postal Service is today filing revised information responsive to this provision attributable to two changes that have arisen since the filing of this docket, as explained below. The Postal Service is also filing an updated version of the certification required by 39 C.F.R. § 3015.3(c)(2), which reflects the revised information.

I. TRACS Data

On April 30, the Postal Service filed Library Reference USPS-FY08-NP37 in Docket No. ACR 2008. The notice accompanying the filing of the library reference explained that the Commission's FY08 Annual Compliance Determination noted "small discrepancies" in the inputs from TRACS for the distribution of FY08 highway transportation costs to a few international products, and implicitly expressed uncertainty

whether these reflected methodological changes or inadvertent error. The Postal Service went on to explain that the discrepancies were the result of inadvertent error. The Postal Service accordingly filed a corrected set of the relevant FY08 input data from TRACS, the application of which would eliminate the "small discrepancies" noted by the Commission, and would affect the distribution (among international products) of highway costs and, even more slightly, air costs.

As a result of the filing of Library Reference USPS-FY08-NP37, the Postal Service undertook to review the materials filed in the instant docket, and has prepared revisions incorporating the revised information responsive to 39 C.F.R. § 3015.5(c)(1).

II. UPU Circular No. 102

On April 27, the International Bureau of the Universal Postal Union (UPU) issued International Bureau Circular No. 102. This circular advised of a reduction in the inward land rates applicable for UPU air parcels tendered by foreign posts to the United States beginning on July 1, 2009.¹ The cause of the reported reduction in the inward land rates was due to the denial of a "bonus" payment for the delivery of inbound UPU parcels starting July 1, 2009. However, certain performance data included in the calculation involves parcels not tendered under the inward land rates regulated by the Postal Operations Council. The Postal Service therefore will lodge an appeal to have these performance data excluded from the calculation. Nevertheless, as a result of the issuance of the circular, the Postal Service has prepared revised financials showing the

¹ As background, the United States receives both air and surface inbound parcels from UPU members at prescribed "inward land rates," which consist of the charges posts pay each other for delivery of incoming parcels. The UPU's Postal Operations Council establishes the criteria governing the prescribed rate formula. Countries must set their inward land rates according to the formula, regardless of the impact on cost coverage. Alternatively, countries are free to negotiate rates with other UPU members.

effects of the change in inward land rates, should those rates not be reversed in connection with any appeal taken to bodies of the Postal Operations Council.

III. Conclusion

The effects of the combined changes do not adversely affect the cost coverage of the Royal Mail agreement. Consequently, the Postal Service submits that even if the revised financial information is incorporated, the agreement is consistent with all applicable statutory and regulatory provisions.

Respectfully submitted,

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Certification of Prices for the Royal Mail Group Inbound Air Parcel Post Agreement

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Air Parcel Post Agreement with the Royal Mail Group. I hereby certify that these prices, which result in a cost coverage of approximately [REDACTED] percent for the agreement, are in compliance with 39 U.S.C § 3633 (a) (1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2008, all international competitive mail accounted for approximately [REDACTED] percent of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The Royal Mail Inbound Air Parcel Post Agreement should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



W. Ashley Lyons