

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

COMPETITIVE PRODUCT PRICES
INBOUND INTERNATIONAL EXPEDITED SERVICES 2
(MC2009-10)

Docket No.
CP2009-57

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING CHANGES IN
RATES NOT OF GENERAL APPLICABILITY**
(July 28, 2009)

In accordance with 39 C.F.R. § 3015.5 and Order No. 162,¹ the United States Postal Service (Postal Service) hereby gives notice that rates not of general applicability for Inbound International Expedited Services 2 will be changing on January 1, 2010. Prices and classifications not of general applicability for Inbound International Expedited Services 2 were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of New Prices and Classifications for Inbound Express Mail International (EMS), issued on November 3, 2008 (Governors' Decision No. 08-20).² The Postal Regulatory Commission (Commission) has determined that Inbound International Expedited Services 2 is appropriately classified as a competitive product and that its initial review of the rates indicated compliance with

¹ PRC Order No. 162, Order Adding Inbound International Expedited Services 2 to Competitive Product List, Docket Nos. MC2009-10 and CP2009-12, Dec. 31, 2008.

² A redacted copy of this decision was filed as an attachment to the Request of the United States Postal Service Regarding Inbound Express Mail International (EMS) from Foreign Posts to Add Inbound International Expedited Services 2 to Competitive Product List; and Notice of Establishment of Rates and Classifications Not of General Applicability (hereinafter "Request"), Docket Nos. MC2009-10 and CP2009-12, Nov. 19, 2008. An unredacted copy of the decision, as well as a record of proceedings, was filed simultaneously under seal.

statutory requirements.³ With this filing, the Postal Service notifies the Commission of changes to those rates that are intended to take effect January 1, 2010.

The rates and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. A redacted version of the rates is included as Attachment 1, and a redacted version of the certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 2.

I. Explanation of Change in Rates

The Postal Service incorporates by reference the explanations of Inbound International Expedited Services 2 contained in its original Request and other materials filed in Docket Nos. MC2009-10 and CP2009-12.⁴ The Postal Service further incorporates by reference its most recent listing of countries whose designated postal operators fall into each price tier.⁵

As the Postal Service indicated previously, all members of the EMS Cooperative are now expected to participate in the Pay-for-performance Plan.⁶ Hence, the former three-tier rate structure for Inbound International Expedited Services 2 is now consolidated into two tiers:

³ Order No. 162 at 8.

⁴ Request at 2-5; Response of the United States Postal Service to Chairman's Information Request No. 1 and Notice of Filing Responsive Materials (Under Seal) (hereinafter "Information Request Response"), Docket Nos. MC2009-10 and CP2009-12, Dec. 12, 2008.

⁵ United States Postal Service Quarterly Update in Response to Order No. 162, Docket Nos. MC2009-10 and CP2009-12, June 24, 2009.

⁶ See Information Request Response at 7. The Postal Service recognizes that this might require an update to the proposed MCS language filed last year with the Postal Service's Request. This minor modification can be addressed either through a separate "MC"-type proceeding, within the context of this docket, or in the Commission's eventual rulemaking to finalize the MCS.

Tier 1: postal operators with a performance-level agreement, such as EMS Pay-for-performance Plan participants and Kahala Posts Group members (former tiers 1 and 2), and

Tier 2: all other postal operators that transmit EMS to the United States (former tier 3).

A listing of postal operators is included with this filing as Attachment 3 to illustrate the prospective two-tier framework. It should be noted that this projection is based on the most recent information available, and it might not necessarily indicate the actual grouping of postal operators as of January 1, 2010.

In addition, China is now included in the listing. China Post Group's inbound EMS rates had been governed by a bilateral agreement that was the subject of Docket Nos. CP2008-6 and CP2008-7. The Postal Service and China Post Group have agreed to allow that agreement to expire at the end of its initial one-year term. It is expected that China Post will join tier 1 in the Inbound International Expedited Services 2 roster.

II. Timing of Notice

New EMS rates typically take effect at the beginning of the calendar year. The Postal Service must communicate them to other postal operators by August 31 of the preceding year, via a circular issued by the International Bureau of the Universal Postal Union. Last year, the Postal Service submitted the original rates and classification for Inbound International Expedited Services 2 in advance of the January 1, 2009, effective date.⁷ In its Order No. 162, the Commission advised that this timing might be problematic in future instances, since the Postal Service's inability to change inbound EMS rates after August 31 could arguably leave it "without a suitable remedy" if a

⁷ See 39 U.S.C. § 3632(b)(3) (requiring a filing with the Commission of rates not of general applicability "by such date before the effective date of any new rates or classes as the Governors consider appropriate, but in no case less than 15 days" (emphasis added)); 39 C.F.R. § 3015.5(a) (requiring such a filing "at least 15 days before the effective date of the change" (emphasis added)).

change is required to comply with statutory criteria.⁸ In recognition of the Commission's concerns in the particular circumstances of EMS rates, the Postal Service is submitting the intended 2010 inbound EMS rates more than 15 days in advance of the August 31, 2009, notification deadline, rather than orienting its filing around the effective date of the new rates. By so doing, the Postal Service expects that any necessary changes to the intended rates will be identified soon enough that they might be addressed before the August 31 communication deadline.

III. Confidentiality

The Postal Service maintains that the intended rates, related financial information, and certain portions of the certified statement required by 39 C.F.R. § 3015.5(c)(2) should remain confidential.⁹ The Postal Service incorporates by reference the justification for confidentiality concerning corresponding materials in its original Request in Docket Nos. MC2009-10 and CP2009-12.¹⁰

⁸ Order No. 162 at 9.

⁹ Because the Commission's recently established rules on confidentiality have not yet taken effect, the Postal Service submits this justification for consideration consistent with the Commission's prior practice. See PRC Order No. 225, Final Rule Establishing Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009, at 20 (ordering the rules to take effect 30 days after publication in the Federal Register). To the extent that the financial information refers to the FY 2008 International Cost and Revenue Analysis (ICRA) report, this report was originally filed on December 29, 2008, as Library Reference USPS-FY08-NP2 in Docket No. ACR2008. Certain data in the ICRA report was corrected in Library Reference USPS-FY08-NP37, filed in the same proceeding on April 30, 2009. The Postal Service filed a corrected version of the ICRA report as Library Reference USPS-CP2009-36/NP1, Docket Nos. MC2009-26 and CP2009-36, July 2, 2009.

¹⁰ Request at 5-6; see also Public Representative Comments in Response to United States Postal Service Request to Add Inbound International Expedited Services 2 to the Competitive Product List, and Establishment of Rates and Classifications Not of General Applicability, Docket Nos. MC2009-10 and CP2009-12, Dec. 5, 2008, at 2 (agreeing that the Postal Service "has concisely justified the extent of confidentiality appropriate in this matter, providing a brief explanation for maintaining the confidentiality of each aspect of the matters remaining under seal").

IV. Conclusion

For the reasons discussed above, and on the basis of the financial data filed under seal, the Postal Service has established that these new Inbound International Expedited Services 2 rates are in compliance with the requirements of 39 U.S.C. § 3633. Accordingly, the Postal Service respectfully submits that it has met its burden of providing notice to the Commission of changed rates within the scope established by Governors' Decision No. 08-20, as required by 39 U.S.C. § 3632(b)(3).

Respectfully submitted,

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**Inbound International Expedited Services 2
Rates to Become Effective January 1, 2010**

Tier 1 (Pay-for-performance Plan, Kahala Posts Group)		
Tier 2 (All Other Posts)		

Certification of Prices for Inbound International Expedited Services 2

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for Inbound International Expedited Services 2. These prices were established by means of price floor and ceiling formulas set forth in the Decision of the Governors of the United States Postal Service on the Establishment of New Prices and Classifications for Inbound Express Mail International (EMS), issued on November 3, 2008 (Governors' Decision No. 08-20).

I hereby certify that the numerical cost values underlying the new Inbound International Expedited Services 2 prices are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of [REDACTED] percent, are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that Inbound International Expedited Services 2 should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. These prices should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


W. Ashley Lyons

**Prospective Listing of Postal Operators by Inbound International Expedited
Services 2 Rate Tier**

Tier 1 (Pay-for-performance Plan, Kahala Posts Group)	Tier 2 (All Other Posts)
Anguilla	Afghanistan
Aruba	Albania
Australia	Algeria
Azerbaijan	Angola
Bahamas	Antigua and Barbuda
Barbados	Argentina
Belarus	Armenia
Belize	Bangladesh
Belgium	Benin
Bermuda	Bhutan
Botswana	Bolivia
Brazil	Bosnia and Herzegovina
Burundi	Bulgaria
Cayman Islands	Burkina Faso
Chile	Cambodia
China	Cameroon
Costa Rica	Cape Verde
Cyprus	Central Africa
Czech	Chad
El Salvador	Colombia
Finland	Comoros
France	Congo (Dem. Rep.)
Ghana	Congo (Rep.)
Great Britain	Cote d'Ivoire
Hong Kong	Croatia
Hungary	Cuba
India	Djibouti
Indonesia	Dominica
Israel	Dominican Republic
Jamaica	Ecuador
Japan	Egypt
Korea	Eritrea
Macao	Estonia
Malaysia	Ethiopia
Maldives	Falkland Islands
Malta	Fiji
Mauritius	French Polynesia
Mexico	Gabon
Netherlands	Gambia
Netherland Antilles	Georgia
New Zealand	Gibraltar

Attachment 3 to Postal Service Notice
Docket No. CP2009-57

Peru	Greece
Portugal	Grenada
Russia	Guatemala
Rwanda	Guinea
Saudi Arabia	Guinea-Bissau
Singapore	Guyana
Spain	Honduras
St. Christopher and Nevis	Iceland
St. Lucia	Iran
Sweden	Iraq
Syrian Arab Rep.	Ireland
Taiwan	Italy
Trinidad and Tobago	Jordan
Uganda	Kazakhstan
Uruguay	Kenya
Viet Nam	Kiribati
	Kosovo (UNMIK)
	Kuwait
	Kyrgyzstan
	Lao People's Dem Rep.
	Latvia
	Lebanon
	Lesotho
	Liberia
	Libyan Arab Jamahiriya
	Liechtenstein
	Lithuania
	Luxembourg
	Macedonia
	Madagascar
	Malawi
	Mali
	Mauritania
	Moldova
	Monaco
	Mongolia
	Montserrat
	Morocco
	Mozambique
	Myanmar
	Namibia
	Nauru

	Nepal
	New Caledonia
	Nicaragua
	Niger
	Nigeria
	Oman
	Pakistan
	Panama
	Papua New Guinea
	Paraguay
	Philippines
	Poland
	Qatar
	Romania
	St. Vincent and the Grenadines
	Samoa
	San Marino
	Sao Tome and Principe
	Senegal
	Serbia
	Seychelles
	Sierra Leone
	Slovakia
	Slovenia
	Solomon Islands
	Somalia
	South Africa
	Sri Lanka
	Sudan
	Suriname
	Swaziland
	Switzerland
	Tajikistan
	Tanzania
	Thailand
	Togo
	Tunisia
	Turkey
	Turkmenistan
	Turks and Caicos Islands
	Ukraine
	United Arab Emirates

Attachment 3 to Postal Service Notice
Docket No. CP2009-57

	Uzbekistan
	Vanuatu
	Venezuela
	Yemen
	Zambia
	Zimbabwe