

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

Before Commissioners:

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

Establishment of Prices and Classifications  
for Inbound Air Parcel Post at UPU Rates

Docket Nos. MC2010-11  
CP2010-11

NOTICE AND ORDER CONCERNING ADDING INBOUND AIR PARCEL POST  
AT UPU RATES TO COMPETITIVE PRODUCT LIST

(Issued November 20, 2009)

I. INTRODUCTION

On November 17, 2009, the Postal Service filed a request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add Inbound Air Parcel Post at Universal Postal Union (UPU) Rates to the Competitive Product List.<sup>1</sup> The Postal Service asserts that Inbound Air Parcel Post is a competitive product within the meaning of 39 U.S.C. 3632(b)(3).

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<sup>1</sup> Request of the United States Postal Service to Add Inbound Air Parcel Post at Universal Postal Union (UPU) Rates to the Competitive Products List, Notice of Establishment of Prices and Classifications Not of General Applicability for Inbound Air Parcel Post at UPU Rates Established in Governors' Decision No. 09-15, and Application for Non-Public Treatment of Materials Filed Under Seal, November 17, 2009 (Request).

The Postal Service states that prices and classifications underlying these rates are supported by Governors' Decision No. 09-15.<sup>2</sup> *Id.* at 1-2. This Request has been assigned Docket No. MC2010-11.

The Postal Service states that Governors' Decision No. 09-15 establishes the prices for Inbound Air Parcel Post at UPU Rates and the changes in classification necessary to implement those prices. *Id.* at 3. The rates authorized by the Governors' Decision No. 09-15 are inward land rates when there is no contractual relationship with the tendering postal operator at the highest possible inward land rate eligible for the United States under the Parcel Post regulations. *Id.* These rates are assigned Docket No. CP2010-11.

*Request.* In support of its Request, the Postal Service filed the following materials: (1) an application for non-public treatment of pricing and supporting documents filed under seal;<sup>3</sup> (2) a Statement of Supporting Justification as required by 39 CFR 3020.32;<sup>4</sup> (3) a redacted version of Governors' Decision No. 09-15 establishing prices and classifications for Inbound Air Parcel Post at UPU Rates, certification of the Governors' vote, a certification of compliance with 39 U.S.C. 3633 (a), proposed Mail Classification Schedule (MCS) language, and a Management Analysis of Inbound Air Parcel Post at UPU Rates.<sup>5</sup>

Air parcels comprise inbound parcels eligible to receive transportation by air rather than surface. Governors' Decision No. 09-15 at 2. The Postal Service indicates that the United States receives both air and surface parcels from foreign postal administrations which compensate the Postal Service for delivery of these parcels in the

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<sup>2</sup> The Request and Governors' Decision both note that the classification for Inbound Air Parcel Post was originally proposed by the Postal Service for the Mail Classification Schedule language in response to PRC Docket No. RM2007-1, Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007 (Order No. 43). *Id.* at 1.

<sup>3</sup> Attachment 1 to the Request.

<sup>4</sup> Attachment 2 to the Request.

<sup>5</sup> Attachment 3 to the Request.

United States. Request at 2. It maintains that it has negotiated separate agreements for parcel rates with certain foreign posts, but most compensate it at the United States default rates for inbound parcel delivery. *Id.* The default rates are known as inward land rates. The Postal Service notes that inward land rates are set according to formulas in the UPU Parcel Post Regulations which constitute international law. *Id.* More specifically, the UPU Postal Operations Council sets rates.<sup>6</sup> The Postal Service states that UPU Parcel Post Regulations require that rates are based on a percentage of each member's inward land rate in 2004. *Id.* at 3. UPU members may qualify for percentage "bonuses" to their base rate based upon their provision of certain value-added services.<sup>7</sup> *Id.* The Postal Service states it is responsible for gathering information that the UPU Postal Operations Council uses to calculate the rates including completion of a questionnaire on service bonus eligibility, and submission of annual inflation information from the Consumer Price Index for All Urban Consumers. *Id.* It explains that the UPU uses this information from the member posts and publishes an annual notice in the fall establishing the postal administration's parcel rates for the following year. *Id.*

The Postal Service states that because of the unique situation of setting inward land rates, it chose to establish rates for inbound air parcels by reference to the Universal Postal Convention. *Id.*

In the Statement of Supporting Justification, Brian Hutchins, Manager, International Postal Relations, asserts that adding Inbound Air Parcel Post at UPU Rates to the competitive product list improves the Postal Service's competitive posture, will cover its attributable costs, make a positive contribution to institutional costs, and

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<sup>6</sup> The UPU Postal Operations Council is a designated body of the UPU which is responsible for rate setting.

<sup>7</sup> The Postal Service states that services such as "track and trace, home delivery, published delivery standards, and use of a common inquiry system" qualify UPU members for bonuses. *Id.* Members may also seek an inflation-related adjustment to the base rate which is capped at 5 percent per year.

increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. *Id.*, Attachment 2. Thus, Mr. Hutchins contends there will be no issue of subsidization of competitive products by market dominant products as a result of this product addition. *Id.*

W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, certifies that the contract complies with 39 U.S.C. 3633(a). Request, Attachment 3. He asserts that the prices for Inbound Air Parcel Post at UPU Rates "should cover its attributable costs and preclude the subsidization of competitive products by market dominant products." *Id.*

The Postal Service filed much of the supporting materials under seal. In its Request, the Postal Service maintains that certain portions of Governors' Decision 09-15 and related financial information should remain confidential including portions of the management financial analysis of Inbound Air Parcel Post at UPU Rates and the accompanying analyses that provide prices, terms, conditions, cost data, and financial projections should remain under seal. Request at 2. Prices and classification changes established in Governors' Decision No. 09-15 are scheduled to take effect January 1, 2010. Governors' Decision No. 09-15 at 2.

## II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2010-11 and CP2010-11 for consideration of the Request pertaining to the proposed Inbound Air Parcel Post at UPU Rates product and the related rates and classifications, respectively. In keeping with practice, these dockets are addressed on a consolidated basis for purposes of this Order; however, future filings should be made in the specific docket in which issues being addressed pertain.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642, 39 CFR part 3015, and 39 CFR 3020 subpart B. Comments are due no later than

December 7, 2009. The public portions of these filings can be accessed via the Commission's website ([www.prc.gov](http://www.prc.gov)).

The Commission appoints Paul L. Harrington to serve as Public Representative in these dockets.

### III. ORDERING PARAGRAPHS

*It is Ordered:*

1. The Commission establishes Docket Nos. MC2010-11 and CP2010-11 for consideration of the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, Paul L. Harrington is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.
3. Comments by interested persons in these proceedings are due no later than December 7, 2009.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Judith M. Grady  
Acting Secretary