

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Inbound International Expedited Services 2
(MC2009-10)

Docket No. CP2010-90

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO UNITED STATES
POSTAL SERVICE FILING OF FILING OF CHANGES IN RATES
FOR INBOUND INTERNATIONAL EXPEDITED SERVICES 2

(August 20, 2010)

In response to Order No. 515,¹ the Public Representative hereby comments on the United States Postal Service August 6, 2010 notice announcing changes in rates not of general applicability for Inbound International Expedited Services 2 effective January 1, 2011. (Notice)

The Notice appears to comport with title 39 stipulations and the relevant Commission Rules of Practice and Procedure. It appears, therefore to be beneficial to the general public.

The Public Representative has accessed and reviewed all materials the United States Postal Service submitted under seal in this matter, documentation in its original (not redacted) version. The Notice (and its accompanying documentation) is persuasive.

¹ Notice and Order Concerning Filing of Changes in Rates for Inbound International Expedited Services 2, August 12, 2010.
December 1, 2008.

The Postal Service proposes no changes to the classification of Inbound International Expedited Services 2 included with its notice. (Notice at 2.) Inbound International Expedited Services 2 services were reviewed, and approved by the Commission in Docket Nos. MC2009-10 and CP2009-12 (Order 162, December 31, 2008). The tiered rate structure for Inbound Expedited Services was a negotiated feature of the Express Mail International Cooperative of the Universal Postal Union. The Postal Service must communicate rates for the delivery of inbound Express Mail International must be communicated to the UPU by August 31 of the year before which they are to take effect.

Regular UPU rates apply for service provided postal administrations which do not elect to participate in this pay-for-performance agreement, making this a three-tier pricing arrangement.

Each element of 39 USC 3633(a) appears to be met by this Inbound International Expedited Services 2 contract. For a competitive products pricing schedule *not of general applicability*,² the Postal Service must demonstrate that the contract will comply with 39 USC 3633(a): It will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

² See 39 C.F.R. 3015.5-7.

Accountability and Confidentiality

The Postal Service Request contains a rationale for maintaining confidentiality concerning pricing, processes which enable discounted pricing, the attendant formulae and other contractual terms which are matters of commercial sensitivity.³ Here, it would appear 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. It appears that the Postal Service has made a good faith effort to supply enough pertinent details to demonstrate the need for material under seal to be protected.

The Agreement

The agreement, with member postal administrations of the EMS Cooperative, a voluntary group of Universal Postal Union (UPU) participants, stipulates pricing which had been proposed earlier. As noted in the Notice at Attachment 2, the pricing “shell” comports with the formulae the Governors (Decision 08-20), as previously reviewed by the Commission.

The Governors established prices and classifications not of general applicability for inbound Express Mail International (EMS) originating from a number of foreign posts. The EMS prices have also been established for these agreements by the Postal Service in accordance with the UPU, which authorizes each participating destination postal

³ Postal Service Request, Attachment 1. .

administration to set its prices for inbound Express Mail with notification to partners directly or through the UPU's International Bureau by August 31 of the year prior to the effective date. Notice at 2, fn.3.

Under the UPU process, each destination administration sets prices for three tiers:

1. Pay-for-performance: available to members of the Kahala Post Group and EMS Cooperative members who elect to comply with pay-for-performance provisions;
2. EMS Cooperative: EMS Cooperative members who elect not to comply with pay-for-performance provisions; and
3. All Others: International posts who choose not to be members of the EMS Cooperative.

This three-tier pricing arrangement encourages quality and efficiency in transactions where there can be wide variations in volume, efficiency and costs. Structuring a pay-for-performance agreement with quality standards removes costs from the system and increased efficiency for all users.

Conclusion

The Public Representative submits that the present Inbound International Expedited Services 2 agreement complies with title 39, and the Postal Service request fulfills all relevant requirements for Commission Rules of Practice and Procedure.

The Public Representative respectfully offers the preceding Comments for the Commission's consideration.

Paul L. Harrington
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6867; Fax (202) 789-6883
e-mail: paul.harrington@prc.gov