

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

Transferring Commercial Standard Mail  
Parcels to the Competitive Product List

Docket No. MC2010-36

NOTICE AND ORDER CONCERNING TRANSFER  
OF COMMERCIAL STANDARD MAIL PARCELS  
TO THE COMPETITIVE PRODUCT LIST

(Issued August 20, 2010)

I. INTRODUCTION

Pursuant to 39 U.S.C. 3642 and 39 CFR 3020 *et seq.*, on August 16, 2010, the Postal Service filed a request to transfer its commercial Standard Mail Fulfillment Parcels product from the market dominant product list to the competitive product list in the Mail Classification Schedule (MCS) on file with the Commission.<sup>1</sup>

The Postal Service states that, to avoid confusion, this filing is based on the assumption that classification changes proposed in Docket No. R2010-4 will be

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<sup>1</sup> Request of the United States Postal Service to Transfer Commercial Standard Mail Parcels to the Competitive Product List, August 16, 2010 (Request).

approved by the Commission prior to consideration of this request.<sup>2</sup> Request at 1, n.1. In that docket, the Postal Service proposes to segment Standard Mail parcels into two main categories: Marketing Parcels and Fulfillment Parcels. Current commercial and nonprofit Standard Mail Parcels would become Standard Mail Fulfillment Parcels.<sup>3</sup> The Postal Service does not propose to transfer nonprofit Standard Mail Fulfillment Parcels. Request at 1, n.1. The Postal Service suggests that upon their transfer to the competitive product list, the Standard Mail Fulfillment Parcels would be classified as a “Lightweight” subcategory of Parcel Select product. *Id.* at 1. The minimum weight would be less than 16 ounces.<sup>4</sup>

As required by 39 CFR 3020.31 of the Commission’s rules, a copy of Governors’ Resolution No. 10-4 is included with the Request as Attachment A. Attachment B to the Request contains the Statement of Supporting Justification required by 39 CFR 3020.32 of the Commission’s rules. Attachment C is the proposed draft MCS language and prices incorporating the language proposed in Docket No. R2010-4 as if already approved by the Commission with proposed additions and deletions for this Request.

The Postal Service summarizes the required Statement of Supporting Justification by noting that the current classification of parcels weighing less than one pound as market dominant products, and parcels weighing more than one pound as competitive products, produces a misalignment in the marketplace. Competitors make no such distinction and can offer seamless shipping options. The transfer would allow the Postal Service to offer similar comprehensive shipping solutions including contracts covering all parcels regardless of weight. *Id.* at 3.

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<sup>2</sup> See Docket No. R2010-4, Exigent Request of the United States Postal Service, July 6, 2010.

<sup>3</sup> As proposed in Docket No. R2010-4, current commercial and nonprofit Standard Mail NFM’s would become Standard Mail Marketing Parcels. Because of addressing standards, some current customers using commercial Standard Mail NFM’s for fulfillment would be required to use commercial Standard Mail Fulfillment Parcels. Request at 2-3.

<sup>4</sup> *Id.*, Attachment C, Competitive Products, 2115.2, Size and Weight Limitations; *see also id.*, 2115.6 Prices, Machinable Lightweight Parcels (greater than 3.3 ounces) and Irregular Lightweight Parcels (3.3 ounces or less) and (greater than 3.3 ounces).

The Postal Service's Statement of Supporting Justification offers an explanation why the transfer to the competitive product list will not result in violation of the standards in 39 U.S.C. 3633. *Id.*, Attachment B, at 1. The Postal Service notes that in FY 2009, commercial Standard Mail Fulfillment Parcels and other Standard Mail parcel categories had a collective cost coverage of 75.23 percent. It requests a 23.3 percent rate increase in Docket No. R2010-4 for Standard Mail parcel categories which, if approved, will yield a cost coverage in excess of 100 percent. Thus, it contends that commercial Standard Mail Parcels, if treated as a subcategory of Parcel Select, would satisfy 39 U.S.C. 3633(a)(1) and (2). *Id.* at 2.

The Statement of Supporting Justification seeks to demonstrate, pursuant to 39 U.S.C. § 3020.32(d), that the requested change does not propose to classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without losing a significant level of business, set the price of the product substantially above costs, raise prices significantly, decrease quality, or decrease output. *Id.* at 3-7. The Statement of Justification also seeks to explain the limited extent Standard Mail Fulfillment Parcels are either covered by the postal monopoly or within the scope of the exceptions or suspensions to the Private Express Statutes, noting that normally Standard Mail Fulfillment Parcels cannot contain items required to be sent by First-Class Mail. The Postal Service indicates an intention to promulgate mailing standards in its Domestic Mail Manual limiting the inclusion of letters in any Lightweight Parcel Select parcel unless covered by an exception or suspension to the Private Express Statutes pursuant to 39 CFR parts 310 or 320. *Id.* at 7-9.

Pursuant to 39 CFR 3032(f), the Postal Service states that the primary competitors to its Standard Mail Fulfillment Parcel services are the ground shipping services offered by UPS and FedEx and that each have the flexibility to price parcel products to maximize profitability. *Id.* at 9. The Postal Service states there is likely a distortionary effect on the marketplace because Standard Mail Fulfillment Parcels are priced below full cost coverage. Because of this market distortion, the "[Postal Service] has attempted to structure profitable contracts with large shippers for lightweight parcels

but failed because its efforts were undercut by its own Standard Mail parcel prices.” *Id.* at 10. The Postal Service claims the transfer should ameliorate any distortionary effect on the current pricing structure. *Id.* The Postal Service states that it is also losing full network First-Class Mail package volume where its competitors offer products with the last mile service through the Postal Service. *Id.*

The Postal Service states that the views of those who use the product are mainly concerned that the transfer will lead to price increases. In response, the Postal Service claims prices will need to be increased even absent a transfer to the competitive product list. It further states that one large customer supports transfer which offers the possibility of contracts for the product. The Postal Service states the transfer will allow contracts for complete shipping solutions and create mutually beneficial comprehensive solutions for shipping needs. *Id.* at 11. The Postal Service is not aware of any small business that offers products competing with commercial Standard Mail Fulfillment Parcels. *Id.* at 11-12.

## II. NOTICE OF FILINGS

The Commission establishes Docket No. MC2010-36 to consider the Postal Service’s proposal to transfer commercial Standard Mail Fulfillment Parcels to the competitive product list.

Interested persons may submit comments on whether the Postal Service’s filing in the captioned docket is consistent with the policies of 39 U.S.C. 3633, 39 U.S.C. 3642, and 39 CFR 3020 subpart B. Comments are due no later than September 17, 2010. Reply comments, if any, are due October 15, 2010. The Postal Service’s filing can be accessed via the Commission’s website ([www.prc.gov](http://www.prc.gov)).

The Commission appoints James Waclawski to serve as Public Representative in this docket.

## III. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. MC2010-36 for consideration of the matters raised in this docket.
2. Pursuant to 39 U.S.C. 505, James Waclawski is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.
3. Comments by interested persons in this proceeding are due no later than September 17, 2010.
4. Reply comments by interested persons in this proceeding are due no later than October 15, 2010.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary