

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

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2011-26

NOTICE AND ORDER CONCERNING CHANGES IN RATES OF GENERAL
APPLICABILITY FOR COMPETITIVE PRODUCTS

(Issued November 4, 2010)

On November 2, 2010, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.¹ The Filing also includes related mail classification changes. The Postal Service represents that, as required by the Commission's rules, 39 CFR 3015.2(b), the Filing includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates. The price changes are scheduled to become effective January 2, 2011.

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 10-4, November 2, 2010 (Filing). The Filing is available on the Commission's website, www.prc.gov. Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

Attached to the Filing is the Governors' Decision evaluating the new prices and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.2. The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with section 3633(a) of title 39 and the Commission's rules. See 39 CFR 3015.7(c).

The attachment to the Governors' Decision sets forth the price changes and includes a draft Mail Classification Schedule (MCS) for competitive products of general applicability. Selected highlights of the price and classification changes follow.

Express Mail. Overall, Express Mail prices increase by 4.6 percent. Retail prices increase, on average, by 5.0 percent. Commercial Base prices do not change. The Commercial Plus prices decrease by 5.0 percent. The volume threshold for Commercial Plus decreases from 6,000 to 5,000 pieces of Express Mail.

Priority Mail. Priority Mail prices increase by 3.5 percent overall, with average retail prices increasing by about 3.9 percent. The average increase for Commercial Base prices is 3.2 percent. Commercial Plus prices increase by 2.0 percent.

Changes to the price structure include the following: (1) Adding price categories called Regional Rate Box and Critical Mail; (2) adding Legal Flat Rate Envelopes and Padded Flat Rate Envelopes, both priced at \$4.95 retail; (3) the parcel volume threshold in Commercial Plus is reduced from 100,000 to 75,000 pieces (all shapes); (4) the letter- and flat-size volume threshold in Commercial Plus is reduced from 100,000 pieces to 5,000 pieces; and (5) customers who ship more than 600 Priority Mail Open and Distribute containers annually will qualify for Commercial Plus.

Parcel Select. Parcel Select service increases, on average, by 4.4 percent. For destination entry parcels, the average price increases 8.0 percent for dropshipping at destination delivery units, 0.2 percent for parcels entered at a destination plant, and 0.6 percent for parcels entered at a destination Network Distribution Center (NDC). For nondestination-entered parcels, the average increases are 9.8 percent for origin NDC presort, 7.7 percent for NDC presort, and 7.6 percent for barcoded nonpresort.

Parcel Return. Parcel Return Service increases, on average, by 3.1 percent. Return NDC prices will increase by 0.9 percent, and the price for parcels picked up at a delivery unit will increase by 8.0 percent.

Domestic Extra Services. Premium Forwarding Service prices increase 5.0 percent. The weekly reshipment fee increases to \$14.75. On average, Address Enhancement Service prices increase 5.0 percent.

Global Express Guaranteed. Global Express Guaranteed service increases, on average, by 3.7 percent. A classification change allows postage payment by permit indicia. Published discounts for Express Mail Corporate Accounts and for users of Information-based indicia (IBI) devices are eliminated.

Express Mail International. Express Mail International (EMI) service increases, on average, by 3.1 percent. Classification changes include the introduction of a legal-size EMI Flat Rate Envelope, seven new country groups for EMI, elimination of published discounts for Express Mail Corporate Accounts and for users of IBI devices, elimination of Return Receipt service, and the combination of Mexico with the "All Other Countries" price tier for Flat Rate Envelopes.

Priority Mail International. Overall, Priority Mail International (PMI) prices increase, on average, by 3.8 percent. Classification changes include the introduction of several new flat rate options, seven new country groups, and the elimination of published discounts for users of IBI devices.

International Priority Airmail. International Priority Airmail has a price increase of 3.3 percent.

International Surface Air Lift. International Surface Air Lift has a price increase of 6.4 percent.

Airmail M-Bags. The published prices for Airmail M-Bags increase by 5.8 percent.

International Ancillary Services. Prices for paper money orders and for insurance with EMI and PMI increase. The unique price tier for Canada when optional insurance is purchased for PMI parcels is eliminated.

Details of these changes may be found in the attachment to Governors' Decision No. 10-4.

The Filing also includes two additional attachments: a redacted table that shows FY 2011 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, and an application for non-public treatment of the unredacted version of that table.

Notice. The establishment of rates of general applicability for competitive products and the associated mail classification changes effect a change in the draft MCS. Pursuant to subpart E of part 3020 of its rules, 39 CFR 3020.90 *et seq.*, the Commission provides notice of the Postal Service's Filing. Interested persons may express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020, subpart B. Comments are due no later than November 19, 2010.

Pursuant to 39 U.S.C. 505, Cassandra L. Hicks is appointed as Public Representative to represent the interests of the general public in the above-captioned docket.

Supplemental information. Pursuant to 39 CFR 3015.6, the Postal Service is requested to provide a written response to the questions below. To assist in the completion of the record, answers should be provided as soon as possible, but by no later than November 10, 2010.

1. Please refer to the redacted tables attached to the Request which present "Competitive Product Contribution & Cost Coverage Analysis" for FY 2011 "January 2, 2011 Implementation" and "October 1, 2010 Implementation".
 - a. Provide FY 2011 volumes, revenues, attributable costs, contribution, and cost coverage data similar to that provided in Docket No. CP2010-8 to support all data in both the redacted and unredacted tables.²

² See, e.g., Docket No. CP2010-8, Notice of the United States Postal Service of Filing Supplemental Information Under Seal in Response to Commission Order No. 333, November 16, 2009; Supplemental Information Provided by the United States Postal Service in Response to Commission Order No. 333, and Notice of Filing Material Under Seal, November 19, 2009.

- b. Provide a narrative explaining the method used to forecast data in the referenced tables.
 - c. Provide attributable costs, revenues, and volumes data for each product grouped in “All Other Competitive International (including Services)” at the same level of detail provided for all other competitive products in this docket. For each of these international products, explain how the expected revenues and costs comply with 39 U.S.C. 3633(a).
2. Please refer to Governors’ Decision No. 10-4. The Postal Service provides overall price increases for the following products: Express Mail 4.6 percent, Priority Mail 3.5 percent, Parcel Select 4.4 percent, Parcel Return Service 3.1 percent, Premium Forwarding Service 5.0 percent, Address Enhancement Service 5.0 percent, Global Express Guaranteed 3.7 percent, Express Mail International 3.1 percent, and Priority Mail International 3.8 percent, International Priority Airmail and International Surface Air Lift 4.4 percent, Airmail M-Bags 5.8 percent. Please describe the weights used to derive the Before Rates and After Rates indices relied upon to calculate the overall (average) percentage price increase for each product and service referenced above similar to the supplemental data filed in Docket No. CP2010-8. *Id.* Please show all calculations in Excel, and explain any adjustments made due to classification changes.
3. Please refer to the Draft Mail Classification Schedule (MCS) in the Attachment to Governors’ Decision No. 10-4 sections 2115.2 and 2115.3. Please confirm that “Lightweight” Parcel Select size and volume thresholds should not be included in the Draft MCS.³ If not confirmed, please explain.

³ Docket No. MC2010-36, Transferring Commercial Standard Mail Parcels to the Competitive Product List, is still under review by the Commission.

4. The Postal Service's request includes two new Priority Mail price categories: Critical Mail and Regional Rate Boxes. Please provide a detailed description of Critical Mail and Regional Rate Boxes. The response should include a discussion of how the proposed price categories differ from the existing Priority Mail price categories.

It is Ordered:

1. The Commission establishes Docket No. CP2011-26 to provide interested persons an opportunity to express views and offer comments on whether the planned changes are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020, subpart B.
2. Comments on the Filing are due no later than November 19, 2010.
3. The Commission appoints Cassandra L. Hicks as Public Representative to represent the interests of the general public in this proceeding.
4. The Postal Service shall provide a written response to the supplemental information requested in this Order no later than November 10, 2010.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary