

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

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2011-64

**NOTICE OF THE UNITED STATES POSTAL SERVICE
OF CHANGES IN RATES OF GENERAL APPLICABILITY
FOR A COMPETITIVE PRODUCT,
ESTABLISHED IN GOVERNORS' DECISION NO. 11-5
(March 16, 2011)**

Pursuant to 39 C.F.R. § 3015.2, the United States Postal Service hereby gives notice of changes in rates of general applicability and of concomitant classification changes for a competitive product – specifically, Parcel Select. In accordance with § 3015.2(b), this notice provides the Governors' Decision establishing the changes, including a statement of explanation and justification, which orders the changes into effect one business day after the Commission issues all necessary regulatory approval, and a certification of the Governors' vote.

Attached to this notice is a schedule showing new prices and related classification changes incorporated into a revised draft of the competitive products of general applicability section of the Mail Classification Schedule. Classification changes established by this Governors' Decision are shown in legislative format. The cost coverage analysis for this initiative is contained in the attached workpapers. Attached herein is an Application for Non-Public Treatment for certain redacted material in the attached workpapers. Unredacted versions of these workpapers have been filed under seal with the Commission.

The Governors' Decision and record of proceedings will be sent for publication in the Federal Register in accordance with 39 U.S.C. § 3632(b)(2).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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March 16, 2011

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON
ESTABLISHMENT OF RATE AND CLASS OF GENERAL APPLICABILITY FOR
PARCEL SELECT FORWARDING AND RETURN TO SENDER
(GOVERNORS' DECISION NO. 11-5)**

March 16, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

The Postal Service intends to introduce new prices within Parcel Select on the competitive product list for forwarding and return to sender. Pursuant to our authority under section 404(b) and Chapter 36 of title 39, United States Code, the Governors establish price and classification changes to introduce these new prices for Parcel Select forwarding and return to sender.

The Postal Service currently charges the Single Piece Parcel Post price for Parcel Select forwards and returns. However, the Postal Service's competitors charge a fee in addition to their prevailing ground shipping charges for forwards and returns.

The instant proposal would charge the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, for any Parcel Select returns and forwards. These new prices for Parcel Select Forwarding and Return to Sender will allow the Postal Service to more closely align with its competitors' charges.

We have reviewed management's analysis of this proposal, which is attached. We have evaluated the new price and classification changes in this context in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. We approve the changes, finding that they are appropriate, and are consistent with the regulatory criteria, as indicated by management.

ORDER

We direct management to file with the Postal Regulatory Commission appropriate notice of these classification and rate changes. The changes in price and class set forth herein shall be effective one business day after the Commission issues all necessary regulatory approval.

By The Governors:

A handwritten signature in black ink, appearing to read "Lou Giuliano", written over a horizontal line.

Louis J. Giuliano
Chairman

Management Analysis

Parcel Select Forwarding and Return to Sender

The Postal Service intends to implement new prices for Parcel Select Forwarding and Return to Sender. Currently, when Parcel Select pieces are forwarded or returned, customers are charged the Single Piece Parcel Post prices. This creates some confusion when Parcel Select pieces get charged the price for a completely different product.

The Postal Service's competitors, on the other hand, charge a fee in addition to the ground shipping charges for pieces that are delivered to an address different from the original delivery address. Based on our research, our competitors' fees are as follows:

- \$2 plus ground price for Newgistics
- \$11 plus ground price for FedEx (FedEx Reroute of Shipment Fee)
- \$11 plus ground price for UPS (UPS Delivery Intercept Fee)

Processing Parcel Select forwards and returns does yield a cost to the Postal Service, which this proposed price change would help to cover. This price change would also allow the Postal Service to more closely align with our competitor's charges, and eliminate any potential confusion that may arise when Parcel Select returns and forwards pay the price for an entirely different product.

Therefore, management is proposing to implement new prices for Parcel Select Forwarding and Return to Sender. Under this proposal, Parcel Select forwards and returns would be charged the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00. Concurrently, management will also be eliminating free local forwarding of Parcel Select, and eliminating the option to request discontinuance of forwarding.

This proposal will allow the Postal Service to cover the handling costs incurred when parcels are forwarded or returned to sender, and capture additional revenue, while also staying well within the range of fees charged by our competitors.

There is a small risk that Parcel Select volume and revenue may decline because of customers' adverse reactions to this price change. However, given the prices charged by our competitors, we do not consider this a significant risk.

Therefore, we recommend that the Governors approve this proposal to implement the applicable Parcel Select Barcoded Nonpresort prices, plus \$3.00, for Parcel Select Forwarding and Returns.

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-5**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-5, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 3-16-2011

2115 Parcel Select

2115.1 Description

- a. Any mailable matter may be mailed as Parcel Select mail, except matter required to be mailed by First-Class Mail or Priority Mail services; and publications required to be entered as Periodicals mail.
- b. Parcel Select mail is not sealed against postal inspection. Mailing of matter as such constitutes consent by the mailer to postal inspection of the contents, regardless of the physical closure.
- c. Undeliverable-as-addressed Parcel Select pieces will be forwarded on request of the addressee or forwarded or returned on request of the mailer, subject to the applicable ~~Single-Piece Parcel Post price~~ Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned ~~from one Post Office location to another~~. Pieces which combine Parcel Select matter with First-Class Mail or Standard Mail matter will be forwarded or returned if undeliverable-as-addressed, as specified in the Domestic Mail Manual.
- d. An annual mailing permit fee is required for destination entered parcels to be paid at each office of mailing or office of verification by or for mailers of Parcel Select (1505.2). Payment of the fee allows the mailer to mail at any Parcel Select price.

Attachments and enclosures

- a. First-Class Mail or Standard Mail pieces may be attached to or enclosed in Parcel Select mail. Postage at the applicable First-Class Mail or Standard Mail price may be required.

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2115.4 Price Categories

Destination Entered

- DDU – Entered at a designated destination delivery unit, or other equivalent facility
 - DDU
 - Balloon Rate
 - Oversized
 - Forwarding and Returns

- DSCF – Entered at a designated destination processing and distribution center or facility, or other equivalent facility
 - Machinable — 5-Digit
 - Nonmachinable — 3-Digit, 5-Digit
 - Balloon Rate
 - Oversized
 - Forwarding and Returns

- DNDC – Entered at a designated destination network distribution center, auxiliary service facility, or other equivalent facility
 - Machinable
 - Nonmachinable
 - Balloon Rate
 - Oversized
 - Forwarding and Returns

Non-Destination Entered

- ONDC Presort – Entered at the origin network distribution center
 - Machinable Barcoded
 - Machinable Nonbarcoded and Nonmachinable
 - Balloon Rate
 - Oversized
 - Forwarding and Returns

- NDC Presort – Entered at a designated facility
 - Machinable Barcoded
 - Machinable Nonbarcoded and Nonmachinable
 - Balloon Rate
 - Oversized
 - Forwarding and Returns

- Barcoded Nonpresort
 - Machinable
 - Balloon Rate
 - Forwarding and Returns

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2115.5

Prices

Destination Entered — DDU

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d. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

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Destination Entered — DSCF

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e. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

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Destination Entered — DNDC

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e. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

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Non-Destination Entered — ONDC Presort

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e. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

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Non-Destination Entered — NDC Presort

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e. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

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Non-Destination Entered — Barcoded Nonpresort

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c. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00, when forwarded or returned.

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, the Postal Service hereby applies for non-public treatment of the underlying workbooks provided with its Notice filing. The Postal Service hereby furnishes the justification required for this application by each subsection of 39 C.F.R. § 3007.21(c), as enumerated below. For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature, which under good business practice would not be publicly disclosed. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3).¹ Because the portions of the materials which the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

None.

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

- (3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

The materials consist of work papers that contain commercially sensitive information such as underlying costs and assumptions, and cost coverage projections, for Forwarding and Return to Sender and Parcel Select service.

- (4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

The financial work papers include specific information such as costs, assumptions used in developing costs and prices, and projections of variables. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would likely take great advantage of this information. Unlike its competitors, the Postal Service is required to meet the standards of 39 U.S.C. § 3633. Competitors are not so constrained and could use the information to their advantage in gaining customers. The formulas shown in the spreadsheets in their native format provide additional sensitive information. In addition, revealing the Postal Service's profit margin information could also be used by current and prospective customers to attempt to renegotiate their own prices. Although the extent of the commercial harm is difficult to quantify, given that Shipping Services is a multi-billion dollar enterprise, providing this advantage to the Postal Service's competitors could lead to millions of dollars in lost revenue, higher costs, and lower contribution margins for the Postal Service. It is highly likely that if this information were made public, the Postal Service's competitors and suppliers would take advantage of it almost immediately.

- (5) At least one specific hypothetical, illustrative example of each alleged harm;**

Identified harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service or its representative obtains a copy of the financial work papers. It analyzes the work papers to determine what the

Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for similar delivery services.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the market for domestic parcel shipping products, as well as their consultants and attorneys. Additionally, suppliers of transportation or other services to the Postal Service that affect costs for competitive services should not have access to these materials; this restriction should include their consultants and attorneys.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(8) Any other factors or reasons relevant to support the application.

None.