

ORDER NO. 708

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

Before Commissioners:

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

Competitive Products Price Changes
Parcel Select

Docket No. CP2011-64

ORDER APPROVING
CHANGES IN RATES OF GENERAL APPLICABILITY
FOR A COMPETITIVE PRODUCT

(Issued April 1, 2011)

I. INTRODUCTION

The Postal Service proposes to implement new prices for Parcel Select for forwarding and return to sender. For the reasons discussed below, the Commission approves the planned rate changes and will reflect the classification changes in the draft Mail Classification Schedule (MCS).

II. BACKGROUND

On March 16, 2011, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for Parcel Select.¹ In Order No. 698, the Commission noticed the filing, appointed a Public Representative, and provided the public with an opportunity to comment.²

The Notice includes related mail classification changes. The Postal Service represents that, as required by 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates.

Attached to the Notice is Governors' Decision No. 11-5. The Governors indicate that they have evaluated the new price and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.5 and 3015.7. An analysis of Parcel Select for forwarding and return to sender is attached to the Governors' Decision. Proposed MCS language is also attached to the Governors' Decision.

Parcel Select for forwarding and return to sender. The Postal Service proposes to establish new prices for the forwarding or return of Parcel Select packages that are undeliverable as addressed. The practice of not charging for local forwards and the option to discontinue forwarding will end. Currently, when Parcel Select pieces are forwarded or returned, customers are only charged the applicable Single-Piece Parcel Post price. The Postal Service proposes to replace the Single-Piece Parcel Post price for Parcel Select forwards and returns with the applicable Parcel Select Barcoded Nonpresort price, plus \$3.00. The proposed price will more closely align Postal Service charges with those of its competitors. Governors' Decision at 1.

¹ 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 (Notice).

² Notice and Order Concerning Proposed New Prices Within Parcel Select, March 17, 2011 (Order No. 698).

III. COMMENTS

Comments were filed by the Public Representative.³ No other comments were submitted. The Public Representative contends that the new base rate (the Parcel Select Barcoded Nonpresort rate plus \$3.00) will cover both the original shipment cost and the incremental forwarding and return cost. *Id.* at 2. The Public Representative agrees with the Postal Service that increased rates pose some risk of volume and revenue loss. However, he states that based on the FY 2009 Cost and Revenue Analysis cost coverage factor for Total Ground services, the proposed prices would increase Parcel Select contribution. *Id.* The Public Representative asserts that the Postal Service is aware of the demand elasticity for the Parcel Select product, and encourages the Postal Service to file a volume and revenue forecast analysis with the Commission as part of future notices of competitive product rate and classification changes. *Id.* at 2-3.

IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, supporting documents and the comments. The proposed prices for Parcel Select for forwarding and return to sender are reviewed pursuant to 39 U.S.C. 3633(a) and Commission regulations under 39 CFR part 3015. In brief, these statutory and regulatory provisions require each competitive product to cover its attributable costs (39 U.S.C. 3622(a)(2)), prohibit the subsidization of competitive products, and collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs (39 U.S.C. 3622(a)(3)).

Based on financial worksheets provided by the Postal Service, the Commission finds that the addition of the new prices within Parcel Select for forwarding and return service will not cause the Parcel Select product to fail to comply with section 3633(a)(2). The additional handling costs imposed on the Postal Service as a result of forwarding or

³ Public Representative Comments in Response to United States Postal Service Notice Concerning Proposed New Prices Within Parcel Select, March 24, 2011.

returning a piece should be covered by the new prices. The new prices will not adversely affect competitive products as a whole from complying with sections 3633(a)(1) and 3633(a)(3). The related classification changes will be reflected in the draft MCS.⁴

It is ordered:

The Postal Service's planned new prices for Parcel Select for forwarding and return to sender appear to comply with 39 U.S.C. 3633(a) and 39 CFR 3015.7.

By the Commission.

Shoshana M. Grove
Secretary

⁴ As indicated in previous orders, the language suggested by the Postal Service in its filing is illustrative and subject to change in the MCS that the Commission ultimately adopts.