

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 Product Prices
Priority Mail
Forever Postage

Docket No. CP2011-63

ORDER APPROVING THE USE OF FOREVER POSTAGE
ON PRIORITY MAIL FLAT RATE PACKAGING

(Issued April 7, 2011)

I. INTRODUCTION

The Postal Service proposes to establish rate and classification changes to enable Forever postage on Priority Flat Rate packaging within the Priority Mail product. The changes are scheduled to become effective April 17, 2011. For the reasons discussed below, the Commission approves the planned changes and will reflect the classification changes in the draft Mail Classification Schedule (MCS).

II. THE POSTAL SERVICE'S FILING

On March 15, 2011, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for Priority Mail.¹ In Order No. 697, the Commission gave notice of the docket, 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 schedule of changed prices and classification language. The Postal Service states that this new offering will comply with 39 U.S.C. 3633(a) and that it will not affect "the ability of the Priority Mail product as a whole to cover its costs and make an appropriate contribution to institutional costs...." Notice at 1-2.

Attached to the Notice is Governors' Decision No. 11-4. 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 Forever postage for Priority Flat Rate packaging is attached to the Governors' Decision. Proposed MCS language is also attached to the Notice.

Forever postage for Priority Flat Rate packaging. The Postal Service states that the primary benefit to the customer for Forever postage on Priority Mail Flat Rate packaging is ease of use. A consumer or business will no longer have to own a postage meter or go online to purchase postage, affix it to a package, and wait in line at a post office to mail the package. Customers will now be able to give the package to their carrier, drop it in an automated postal center, or drop it off at a Postal Service retail counter.

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for a Competitive Product, Established in Governors' Decision No. 11-4, March 15, 2011 (Notice).

² Notice and Order Concerning Use of Forever Postage on Priority Mail Flat Rate Packaging, March 17, 2011 (Order No. 697).

The Postal Service asserts that the primary benefits to it as a result of the new offering are (1) increased revenue; (2) increased Priority Mail volume; (3) reduced wait in line time; and (4) avoided costs associated with printing and destruction of Priority Mail Flat Rate Envelopes that do not have Forever postage.

The Forever postage on Priority Mail Flat Rate packaging proposal will allow the Postal Service to offer bundles of Priority Mail packaging that have prepaid mailing labels affixed for the following types of packaging: (1) Priority Mail Flat Rate Envelopes—Regular, Legal, Padded, and (2) Priority Flat Rate Boxes—Small, Medium (2 styles), Large. The Forever Prepaid Flat Rate packaging will be available for purchase in 3, 5, 10, and 25 count packs. There will be two components of this offering: the online model and the retail model. The online model will allow customers to purchase packs from a website. The retail model will eventually allow retailers to choose which packs they wish to sell and offer those packs in their stores directly to their customers.

III. COMMENTS

Comments were filed by David B. Popkin³ and the Public Representative.⁴ No other comments were submitted.

Popkin comments. Popkin states that he has concerns with several aspects of the proposal, but that many of them have been resolved informally with the Postal Service. He states that he would like to make his concerns part of this docket. *Id.* at 1. Among the concerns he raises are why the Postal Service has decided to offer prepaid Forever postage affixed to flat rate packaging instead of just prepaid Forever postage without packaging; why the retail postage price is required rather than the lower online or commercial Priority Mail prices; and whether additional services such as Delivery Confirmation can be purchased for a mailing.

³ Initial Comments of David B. Popkin, March 21, 2011 (Popkin Comments).

⁴ Public Representative Comments in Response to United States Postal Service Notice Concerning Use of Forever Postage on Priority Flat Rate Packaging, March 23, 2011 (PR Comments).

Popkin also indicates that he has been advised that Forever postage on Priority Mail Flat Rate packaging may be deposited in collection boxes if the item will fit, and that the Flat Rate Box or Envelope may be purchased for the price of the Priority Mail postage. *Id.* at 2. It appears that the Postal Service has adequately addressed Popkin's concerns. In any event, the concerns do not appear to raise any issues under 39 U.S.C. 3633(a) or 39 CFR part 3015 upon which the Commission is currently charged with reviewing the proposal.

Public Representative comments. The Public Representative believes that the Postal Service should be commended for proposing an expansion of its Priority Mail product line through this initiative. PR Comments at 3. He discusses the potential volume, revenue, and cost changes that he expects to occur as a result of Forever postage on Priority Mail Flat Rate packaging and "concludes that the Postal Service can expect some increase in volume and revenue from the initiative." *Id.* at 4.

On the cost side, the Public Representative believes it is currently unknown whether incremental costs would increase or decrease. *Id.* He recommends the Commission request the Postal Service to file a financial analysis providing an estimate of the total volume, revenue, and cost impact associated with this initiative. While the Public Representative says that he is unable to conclude that the contribution from Priority Mail services would not be lower than the present level as a result of Forever postage on Priority Mail Flat Rate packaging, he does not make a finding as to whether Priority Mail will continue to meet the cost coverage requirements of section 3633(a)(2), the other requirements of 3633(a), or 39 CFR part 3015. *Id.*

IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the filed comments. The proposed price and classification changes for Forever postage on Priority Mail Flat Rate packaging 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. 3633(a)(2)), prohibit

the subsidization of competitive products by market dominant products (39 U.S.C. 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's total institutional costs. See 39 U.S.C. 3633(a)(3).

Based on the information provided and representations made in the Notice, the Commission finds that the proposed price and classification changes for Forever postage on Priority Mail Flat Rate packaging do not appear to prohibit the Priority Mail product from complying with section 3633(a)(2) or 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.⁵ The Commission notes that it will be able to further review the impact of Forever postage for Priority Mail Flat Rate packaging on the Priority Mail product in future Annual Compliance Determinations.

It is ordered:

The Postal Service's planned price and classification changes for Forever postage on Priority Mail Flat Rate packaging appear to comply with 39 U.S.C. 3633(a) and 39 CFR 3015.7.

By the Commission.

Shoshana M. Grove
Secretary

⁵ 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.