

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

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Mark Acton, Vice Chairman;  
Nanci E. Langley; and  
Robert G. Taub

Competitive Product Prices  
Inbound Air Parcel Post (at UPU Rates)  
(MC2010-11)

Docket No. CP2012-3

ORDER ACCEPTING PRICE CHANGES  
FOR INBOUND AIR PARCEL POST AT UPU RATES

(Issued December 29, 2011)

I. INTRODUCTION

The Postal Services proposes a change in rates not of general applicability for Inbound Air Parcel Post at Universal Postal Union (UPU) Rates. For the reasons discussed below, the Commission concludes that the price changes satisfy applicable statutory criteria.

## II. BACKGROUND

*Calendar year 2012 rates.* On December 6, 2011, the Postal Service filed a Notice announcing changes in rates not of general applicability for Inbound Air Parcel Post (at UPU) Rates effective January 1, 2012.<sup>1</sup> The Postal Service is not proposing any classification changes. *Id.* at 2. The Notice incorporates by reference the explanation of Inbound Air Parcel Post at UPU Rates and the ratesetting mechanism in the Postal Service's Request in the baseline cases (Docket Nos. MC2010-11 and CP 2010-11) that resulted in the addition of this product to the competitive products list. *Id.* Governors' Decision No. 09-15, issued November 19, 2009, formed the basis for the Request in those cases.

The Notice includes:

- Attachment 1—an application for non-public treatment of materials pertaining to rates;
- Attachment 2—a redacted copy of Governors' Decision No. 09-15; proposed Mail Classification Schedule language; a certification of conformity of prices with 39 U.S.C. § 3633, an analysis of ratesetting procedures, and certification of the Governors' vote;
- Attachment 3—a redacted version of the new rates; and
- Attachment 4—a certified statement attesting to the accuracy of the supporting data submitted in this case and to compliance, following the change, with 39 U.S.C. § 3633.

The Postal Service asserts that the rates in its filing comport with Governors' Decision No. 09-15 as they are the highest possible inward land rates for which the Postal Service was eligible based on inflation increases and other factors. *Id.* at 2-3. It

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<sup>1</sup> Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability and Application for Non-Public Treatment of Materials Filed Under Seal, December 6, 2011 (Notice).

also asserts that its filing demonstrates compliance with 39 U.S.C. § 3633(a)(2). *Id.* at 3.

The Commission provided notice of the Postal Services filing, established the instant docket, appointed a public representative, and invited public comment in Order No. 1033.<sup>2</sup>

*Explanation of unique ratesetting process.* Air parcels are inbound parcels eligible to receive transportation by air as opposed to surface. The Commission approved the addition of Inbound Air Parcel Post at UPU Rates to the competitive products list in Order No. 362, pursuant to Governors' Decision No. 09-15, November 16, 2009.<sup>3</sup> The rates authorized by the referenced Governors' Decision are "default" rates in that they apply when there is no contractual relationship with the tendering postal operator, and they are the highest possible inward land rates for which the United States is eligible. The Postal Service negotiates separate agreements for parcel rates with certain foreign posts, but most compensate it at the United States' default rates for inbound parcel delivery. Request at 2.

Payments between postal administrations for handling and delivering parcel post are referred to as inward land rates. Inward land rates are set according to formulas in the UPU Parcel Post Regulations, which the UPU Postal Operations Council relies on to establish inward land rates.<sup>4</sup> These rates are based on a percentage of each member's inward land rate in 2004. UPU members may qualify for percentage "bonuses" to their

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<sup>2</sup> Notice and Order Concerning Changes in Rates for Inbound Air Parcel Post at UPU Rates, December 8, 2011 (Order No. 1033); see also 76 FR 77856 (December 14, 2011).

<sup>3</sup> Docket Nos. MC2010-11 and CP2010-11, Order No. 362, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List Docket, December 15, 2009; see also Docket Nos. MC2010-11 and CP2010-11, Request of the United States Postal Service to Add Inbound Air Parcel Post at Universal Postal Union (UPU) Rates to the Competitive Products List, Notice of Establishment of Prices and Classifications Not of General Applicability for Inbound Air Parcel Post at UPU Rates Established in Governors' Decision No. 09-15, and Application for Non-Public Treatment of Materials Filed Under Seal, November 17, 2009, which the Postal Service incorporates by reference (Request). Notice at 2.

<sup>4</sup> The UPU Postal Operations Council, a designated body of the UPU, is responsible for rate setting.

base rate based upon their provision of certain value-added services.<sup>5</sup> Notice, Attachment 2 at 1.

The Postal Service is responsible for gathering information that the UPU Postal Operations Council uses to calculate the rates, including completion of a questionnaire on service bonus eligibility and submission of annual inflation information.<sup>6</sup> Based on this and similar information from the member posts, the UPU's secretariat publishes an annual notice establishing postal administrations' parcel rates for the following year.<sup>7</sup> *Id.* at 2.

The Postal Service represents that the Governors formally "established" the prices for Inbound Air Parcel Post (at UPU Rates) as the highest possible inward land rates for which the Postal Service is eligible according to the UPU's Parcel Post Regulations. *Id.* at 2. It further observes that Article RC 193.3 allows implementation of modifications to the bonus payment portion of inward land rates twice each year, on January 1 and July 1, and notes that the UPU's International Bureau will confirm, by March 31, any changes to the inward land rates that apply beginning July 1. *Id.* at 2-3, n.3.

The Postal Service asserts that the planned prices comport with the referenced Governors' Decision in that they are the highest possible inward land rates for which the Postal Service is eligible based on inflation increases and other factors. *Id.* at 2-3. It further asserts that the planned rates for Inbound Air Parcel Post (at UPU Rates) are in compliance with the requirements of 39 U.S.C. § 3633(a)(2). It submits that it has met its burden of proof of providing notice to the Commission of changes in rates within the scope of the baseline Governors' Decision, as required by U.S.C. § 3632(b)(3).

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<sup>5</sup> Services such as track and trace, home delivery, published delivery standards, and use of a common inquiry system may qualify UPU members for bonuses. Notice, Attachment 2 at 1. Members may also seek an inflation-related adjustment to the base rate. This adjustment is capped at 5 percent per year. Request at 3.

<sup>6</sup> The applicable index is the Consumer Price Index for All Urban Consumers. *Id.*

<sup>7</sup> Inward land rates are not available publicly. They are circulated to postal operators and government ministries through the UPU International Bureau circular and are accessible on a password-protected basis. *Id.*, Attachment 1 at 6.

### III. COMMENTS

Comments were filed by the Public Representative.<sup>8</sup> The Public Representative concludes, based on a review of pertinent materials, that the rates not of general applicability for Inbound Air Parcel Post at UPU Rates satisfy the requirements of 39 U.S.C. § 3633(a). *Id.* at 2. He notes that the applicable criteria are whether the rates (1) do not result in market dominant products subsidizing competitive products; (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. He observes that in this proceeding, the Postal Service incorporates by reference the explanations of Inbound Air Parcel Post at UPU Rates contained in its Request and other materials filed in the baseline cases, justifying a finding of compliance with the statutory criteria. *Id.*, *citing* Notice at 2. He further observes that with respect to the second criterion, the financial model supports a conclusion that the inward land rates for Inbound Air Parcel Post at UPU Rates comply with section 3633(a)(2). PR Comments at 2.

### IV. COMMISSION ANALYSIS

The Commission has reviewed the Notice, supporting financial documentation, and the Public Representative comments.

*Statutory requirements.* The Commission reviews planned price changes for competitive products pursuant to 39 U.S.C. § 3633(a) and implementing regulations at 39 CFR 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.

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<sup>8</sup> Public Representative Comments on Postal Service Notice Concerning Change in Rates Not of General Applicability for Inbound Air Parcel Post at UPU Rates, December 16, 2011 (PR Comments). No other comments were filed.

§ 3633(a)(1)), and require that competitive products collectively make an appropriate contribution to the recovery of the Postal Service's institutional costs.

Based on the information provided, the Commission finds that the planned rates cover attributable costs, should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. § 3633(a)(3)). Thus, a preliminary review of the proposed rates indicates that the rates comport with the provisions applicable to rates for competitive products.

Based on the record in this proceeding, the Commission finds that the proposed rates for Inbound Air Parcel Post at UPU Rates are in accord with the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and 39 CFR 3015.7.

#### V. ORDERING PARAGRAPH

*It is ordered:*

The planned rates for Inbound Air Parcel Post at UPU Rates, scheduled to take effect January 1, 2012, are in accordance with the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and 39 CFR 3015.7.

By the Commission.

Shoshana M. Grove  
Secretary