

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

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2012-39

**NOTICE OF THE UNITED STATES POSTAL SERVICE
OF CHANGES IN RATES OF GENERAL APPLICABILITY
FOR A COMPETITIVE PRODUCT,
ESTABLISHED IN GOVERNORS' DECISION NO. 12-1
(June 22, 2012)**

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, Express Mail. The instant price and classification changes introduce the Express Mail Padded Flat Rate Envelope. Currently, the Padded Flat Rate Envelope is only available for the Priority Mail product. 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 the necessary price and classification changes to the competitive products section of the Mail Classification Schedule for the Express Mail Padded Flat Rate Envelope. Classification changes established by this Governors' Decision are shown in legislative format.

As these price and classification changes simply establish another type of Express Mail Flat Rate Envelope, at the same prices as the existing Express Mail

Regular and Legal Flat Rate Envelopes, these changes will have no effect on the ability of the Express Mail product as a whole to cover its costs and make an appropriate contribution to institutional costs.

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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June 22, 2012

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON
ESTABLISHMENT OF RATE AND CLASS OF GENERAL APPLICABILITY FOR
EXPRESS MAIL PADDED FLAT RATE ENVELOPE
(GOVERNORS' DECISION NO. 12-01)**

June 14, 2012

STATEMENT OF EXPLANATION AND JUSTIFICATION

The Postal Service intends to introduce new prices within Express Mail on the competitive product list to establish a Padded Flat Rate Envelope. 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 the new price category for the Express Mail Padded Flat Rate Envelope.

The Postal Service currently offers a Padded Flat Rate Envelope within the Priority Mail product that has been popular among customers. The Express Mail product, on the other hand, currently only provides a Regular and Legal Flat Rate Envelope, with no padded option for customers that may desire to expedite the shipments of fragile merchandise.

The instant proposal would introduce the Express Mail Padded Flat Rate Envelope on the competitive product list, at the same prices as the existing Express Mail Regular and Legal Flat Rate Envelopes, for Retail, Commercial Base, and Commercial Plus pricing.

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.

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PAGE 2

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

By The Governors:



Thurgood Marshall, Jr.
Chairman

Management Analysis

Express Mail Padded Flat Rate Envelope

The Postal Service intends to introduce a new price category for the Express Mail Padded Flat Rate Envelope. Currently, the Postal Service offers a Regular and Legal Flat Rate Envelope within the Express Mail product. A Padded Flat Rate Envelope is only available for Priority Mail, but has proven to be a popular packaging option.

Therefore, management is proposing to introduce the Padded Flat Rate Envelope for Express Mail. It measures 12.5 inches by 9.5 inches and will be available to Retail, Commercial Base, and Commercial Plus customers. Initially, the Express Mail Padded Flat Rate Envelope will be offered at the same prices currently available for the Regular and Legal Flat Rate Envelopes:

- Retail: \$18.95
- Commercial Base: \$17.75
- Commercial Plus: \$12.72

The pricing for these items may differentiate in future price adjustments. The Padded Flat Rate Envelope will only be available online, but will be accepted through all Postal Service channels.

Management anticipates that this new offering will meet the needs of shippers that mail fragile merchandise and have the need to expedite such shipments.

This new offering will not impair the ability of the Express Mail product as a whole to cover its costs (39 U.S.C. § 3633(a)(2)) and should result in competitive products as a whole complying with 39 U.S.C. § 3633(a)(3), which, as implemented by 39 C.F.R. § 3015.7(c), requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C. § 3633(a)(1)). Given these factors it is clear that the proposed changes are consistent with our statutory and regulatory requirements for competitive products.

Additionally, there is no significant business risk posed by introducing the Express Mail Padded Flat Rate Envelope.

Therefore, we recommend that the Governors approve this proposal to introduce the Express Mail Padded Flat Rate Envelope.

Mail Classification Schedule

2105 Express Mail

2105.2 Size and Weight Limitations

	Length	Height	Thickness	Weight
Minimum	large enough to accommodate postage, address, and other required elements on the address side			none
Maximum	108 inches in combined length and girth			70 pounds
Flat Rate Envelopes	Nominal Sizes: Regular: 9.5 x 12.5 inches Legal: 9.5 x 15 inches <u>Padded: 9.5 x 12.5 inches</u>			

* * *

2105.6 Prices

* * *

Retail Flat Rate Envelope

	(\$)
Retail Regular Flat Rate Envelope, per piece	18.95
Retail Legal Flat Rate Envelope, per piece	18.95
<u>Retail Padded Flat Rate Envelope, per piece</u>	<u>18.95</u>

* * *

Commercial Base Flat Rate Envelope

	(\$)
Commercial Base Regular Flat Rate Envelope, per piece	17.75
Commercial Base Legal Flat Rate Envelope, per piece	17.75
<u>Commercial Base Padded Flat Rate Envelope, per piece</u>	<u>17.75</u>

* * *

Commercial Plus Flat Rate Envelope

	(\$)
Commercial Plus Regular Flat Rate Envelope, per piece	12.72
Commercial Plus Legal Flat Rate Envelope, per piece	12.72
<u>Commercial Plus Padded Flat Rate Envelope, per piece</u>	<u>12.72</u>