

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

TRANSFERRING INBOUND SURFACE PARCEL
POST (AT UPU RATES)

DOCKET NO. MC2014-28

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO TRANSFER
INBOUND SURFACE PARCEL POST (AT UPU RATES)
TO THE COMPETITIVE PRODUCT LIST**

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 *et seq.*, the United States Postal Service (Postal Service) hereby requests that the Postal Regulatory Commission (Commission) transfer Inbound Surface Parcel Post (at UPU rates) from the market-dominant product list to the competitive product list. The Postal Service further requests the transferred product be merged with Inbound Air Parcel Post (at UPU rates), and that the merged product be identified as Inbound Parcel Post (at UPU rates).

Pursuant to 39 C.F.R. § 3.4(f), the Governors authorized this Request on June 18, 2014; a copy of the Governors' resolution is included as Attachment A to this Request. A Statement of Supporting Justification, which demonstrates that the Request fulfills the criteria set forth in 39 U.S.C. § 3642 for making changes to the market-dominant and competitive product lists, is included as Attachment B. The proposed Mail Classification Schedule (MCS) language appears as Attachment C. As required by 39 U.S.C. § 3642(d)(1), a notice describing the Request is being published in the Federal Register.

As discussed in the Statement of Supporting Justification, the transfer of Inbound Surface Parcel Post (at UPU rates) to the competitive product lists is consistent with the

current classification schedule. Moreover, though Inbound Surface Parcel Post (at UPU rates) is currently classified on the market-dominant product list, it fulfills all of the criteria for competitive products under section 3642.

The Postal Service therefore requests that the Commission transfer Inbound Surface Parcel Post (at UPU rates) from the market-dominant product list to the competitive product list, merge the transferred product with Inbound Air Parcel Post (at UPU rates), and identify the merged product as Inbound Parcel Post (at UPU rates). As illustrated in the proposed MCS (Attachment C), there are no material changes to the product description and pricing. The proposed MCS language does contain minor adjustments to ensure consistency between the Air and Surface Parcel Post descriptions. As described in the Statement of Supporting Justification, the proposed changes fulfill all of the criteria set forth in 39 C.F.R. § 3020.32.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESOLUTION OF THE GOVERNORS
OF THE
UNITED STATES POSTAL SERVICE
Resolution No. 14-03

Transfer of Inbound Surface Parcel Post (at UPU rates)
to the Competitive Product List

RESOLVED:

Pursuant to section 3642 of title 39, United States Code, the Postal Service shall file a request with the Postal Regulatory Commission to transfer Inbound Surface Parcel Post (at UPU rates) from the market-dominant product list to the competitive product list. The transferred product shall be merged with Inbound Air Parcel Post (at UPU rates), and together, they will be identified as Inbound Parcel Post (at UPU rates).

Postal management is directed to provide the required public notice and to file with the Postal Regulatory Commission the transfer request and supporting documents, in accordance with Part 3020 of Title 39, Code of Federal Regulations.

The foregoing Resolution was adopted by the Governors on June 18, 2014.



Julie S. Moore
Secretary, Board of Governors

Statement of Supporting Justification

I, Lea Emerson, Executive Director, International Postal Affairs, sponsor the Postal Service's Request that the Postal Regulatory Commission ("Commission") transfer Inbound Surface Parcel Post (at UPU rates) from the market-dominant product list to the competitive product list, and that the Commission make the related classification changes as outlined in the proposed Mail Classification Schedule (MCS) language. This Statement supports the Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32, as indicated below. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below in subsections (b) through (i), the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. 3622(d), and that it advances the objectives of 39 U.S.C. 3622(b), taking into account the factors of 39 U.S.C. 3622(c).*

Not Applicable.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. 3633.*

Section 3633 sets forth three standards for competitive products. Subsection (a)(1) prohibits the subsidization of competitive products by market-dominant products. Subsection (a)(2) requires that each competitive product cover its attributable costs. And subsection (a)(3) requires that all competitive products collectively cover an appropriate share of Postal Service institutional costs.

In fiscal year 2013, Inbound Surface Parcel Post (at UPU rates) had a 153.6% cost coverage.¹ Both this cost coverage and the combined cost coverage for Inbound Surface Parcel Post (at UPU rates) and Inbound Air Parcel Post (at UPU rates) from fiscal year 2013, show that the transfer will not adversely affect the Postal Service's ability to cover its total institutional costs.² Hence, there will be no subsidization of this competitive product by market-dominant products.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs; (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

The Universal Postal Union sets the prices for Inbound Surface Parcel Post. As such, the Postal Service's market dominance is not related to the pricing of the product.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. 1696 subject to the exceptions set forth in 39 U.S.C. 601.*

Inbound Surface Parcel Post (at UPU rates) is outside the scope of letter monopoly under existing regulations because the rates payable to the Postal Service are higher than six times the current price of a one-ounce, single-piece First-Class letter. As such, the product falls within an exception to the Private Express Statutes at 39 C.F.R. § 601(b)(1).

¹ See United States Postal Service FY 2013 Annual Compliance Report, PRC Docket No. ACR2013 (December 27, 2013), at 34 and USPS-FY13-1.

² See USPS-LR-MC2014-28/NP1.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

Private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide inbound parcel delivery services under similar conditions.

- (g) *Provide any information available on the views of those who use the product on the appropriateness of the proposed modification.*

The Postal Service does not anticipate any major concern of customers because neither the product, nor the inward land rates, is changing as a result of the transfer. Inbound Surface Parcel Post (at UPU rates) has been available for years and the classification of the product as market dominant or competitive does not affect the availability of the service or the terms and conditions.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The Postal Service does not anticipate an impact on small business concerns because neither the product, nor the inward land rates, is changing as a result of the transfer. Inbound Surface Parcel Post (at UPU rates) has been available for years and the classification of the product as market dominant or competitive does not affect the availability of the service or the terms and conditions.

- (i) *Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

Making the modifications to the market-dominant and competitive product lists requested herein would be consistent with past practices regarding the MCS. The Commission has previously classified as competitive the similar Inbound Air Parcel Post

(at UPU rates).³ Inbound Surface Parcel Post (at non-UPU rates) has been included in bilateral agreements as part of the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators product.⁴ Moreover, the Commission has also recently classified the comparable domestic Parcel Post product as competitive.⁵ Finally, the transfer will create a single classification for Inbound Parcel Post (at UPU rates) that includes both air and surface parcels under one heading, which will further provide for the consistent treatment of parcel products in the MCS. For these reasons, the Postal Service requests that the Commission approve this Request.

³ See Order No. 362, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, PRC Docket Nos. MC2010-11 and CP2010-11 (December 15, 2009).

⁴ See, e.g., Order No. 147, Order Concerning Bilateral Agreement with Canada Post for Inbound Competitive Services, PRC Docket Nos. MC2009-8 and CP2009-9 (December 12, 2008); Order No. 1761, Order Approving Addition of Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement (with Deutsche Post), PRC Docket No. CP2013-65 (June 6, 2013).

⁵ See Order No. 1411, Order Conditionally Granting Request to Transfer Parcel Post to the Competitive Product List, PRC Docket No. MC2012-13 (July 19, 2012).

**DRAFT MAIL CLASSIFICATION SCHEDULE (MCS)
LANGUAGE**

PART A

MARKET DOMINANT PRODUCTS

1000 MARKET DOMINANT PRODUCT LIST

1001 MARKET DOMINANT PRODUCT DESCRIPTIONS

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1400 Package Services

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1400.2 Products Included in Class

- Alaska Bypass Service (1405)
- ~~Inbound Surface Parcel Post (at UPU rates) (1410)~~
- Bound Printed Matter Flats (1415)
- Bound Printed Matter Parcels (1420)
- Media Mail/Library Mail (1425)

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1410 Inbound Surface Parcel Post (at UPU rates)**1410.1 Description**

- a. Inbound Surface Parcel Post consists of inbound International pieces (originating outside of the United States and destined for delivery inside of the United States) that are subject to the provisions of the Universal Postal Convention and the Parcel Post Regulations. Transit mail, which consists of surface parcel post mail transiting from a foreign country to another foreign country through the United States, is included in this grouping.
- b. The insertion of correspondence, with the exception of archived materials, exchanged between persons other than sender and the addressee or persons living with them, is prohibited.
- c. Inbound Surface Parcel Post includes reciprocal indemnity based on the weight of the parcel.
- d. Postage and other charges paid by the sender are determined by the country of origin.

1410.2 Size and Weight Limitations

	Length	Height	Thickness	Weight
Minimum	5.5 inches	none	3.5 inch	none
Maximum	42 inches			70 pounds
	79 inches in combined length and girth			

1410.3 Minimum Volume Requirements

	Minimum Volume Requirements
Inbound Surface Parcel Post	none

1410.4 Price Categories

The following price categories are available for the product specified in this section:

- UPU Inward Land Rates

1410.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- ~~International Ancillary Services (1510)~~
 - ~~Inbound International Return Receipt (1510.3)~~
 - ~~Inbound International Insurance (1510.5)~~
 - ~~Customs Clearance and Delivery Fee: dutiable items only (1510.6)~~

1410.6 — Prices

~~Foreign administrations pay the Postal Service for the delivery of inbound mail at prices set by the Postal Operations Council, known as inward land rates. Payment by the foreign administration is made in accordance with Universal Postal Convention Part III, Chapter 2 and associated UPU Parcel Post Regulations. This information is available in the Parcel Post Manual at www.upu.int.~~

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1500 Special Services

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1500.2 Products Included in Class

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- International Ancillary Services (1510)
 - International Certificate of Mailing (1510.1)
 - International Registered Mail (1510.2)
 - International Return Receipt (1510.3)
 - International Restricted Delivery (1510.4)
 - ~~International Insurance (1510.5)~~
 - Customs Clearance and Delivery Fee (1510.6)

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1510.3 International Return Receipt

1510.3.1 Description

Outbound International Return Receipt

- a. Outbound International Return Receipt service provides evidence to the mailer that an article has been received at the delivery address. The return receipt, which is attached to the article mailed, is signed at the point of delivery and is returned to the sender.
- b. Outbound International Return Receipt service is available for registered outbound First-Class Mail International items.
- c. Outbound International Return Receipt must be purchased at the time of mailing.

Inbound International Return Receipt

- a. Inbound International Return Receipt service provides evidence to the mailer that an article has been received at the delivery address. A return receipt is signed for at the point of delivery and is returned to the sender.
- b. International Return Receipt service is available for registered letter post items ~~and insured parcels~~.

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1510.5 — International Insurance

1510.5.1 — Description

~~Inbound International Insurance is available for inbound surface parcels from countries which offer the service on a reciprocal basis. Indemnity limits vary by country as specified in the International Mail Manual. The maximum insurance limit available into the United States is \$5,000.00.~~

1510.5.2 — Prices

~~Payment is made in accordance with Part III of the Universal Postal Union Convention. This information is available in the Parcel Post Manual at www.upu.int.~~

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PART B

COMPETITIVE PRODUCTS

2000 COMPETITIVE PRODUCT LIST

2001 COMPETITIVE PRODUCT DESCRIPTIONS

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2300 International Products

2300.1 General

Prices for international postage generally are segmented into Price Groups with multiple destination countries represented in each Price Group. To identify what Price Group a destination country is in, refer to Country Price Group List for International Mail (4000). The number of Price Groups that exists depends on the category of mail. A particular destination country may fall into different Price Groups for different categories of mail.

2300.2 Included Services

- Outbound International Expedited Services (2305)
- Inbound Air Parcel Post (at UPU rates) (2310)
- Outbound Priority Mail International (2315)
- International Priority Airmail (IPA) (2320)
- International Surface Air Lift (ISAL) (2325)
- International Direct Sacks–M-Bags (2330)
- Outbound Single-Piece First-Class Package International Service (2335)

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2310 Inbound Air Parcel Post (at UPU rates)

2310.1 Description

Inbound Air Parcel Post (at UPU rates)

- a. Inbound Air Parcel Post (at UPU rates) is designed for the carriage of postal parcels that are tendered by foreign postal operators and eligible for transportation by air.
- b. The insertion of correspondence, with the exception of archived materials, exchanged between persons other than sender and the addressee or persons living with them, is prohibited.
- c. Inbound Air Parcel Post (at UPU rates) service, with the exception of transit mail, is not sealed against inspection.
- d. Single-Piece Inbound Air Parcel Post (at UPU rates) service is subject to the provisions of the Universal Postal Convention and the Universal Postal Union Parcel Post Regulations.
- e. Reciprocal indemnity based on the weight of the parcel, is included. Limits of indemnity based on weight correspond to the outbound limitations for Priority Mail International service specified in the International Mail Manual.
- f. Inbound Air Parcel Post (at UPU rates) includes transit revenue for air parcels transiting from a foreign country to another foreign country through the United States.
- g. Postage and other charges paid by the sender are determined by the country of origin.

Inbound Surface Parcel Post (at UPU rates)

- a. Inbound Surface Parcel Post (at UPU rates) is designed for the carriage of postal parcels that are tendered by foreign postal operators and eligible for transport by a non-priority (surface) network.
- b. The insertion of correspondence, with the exception of archived materials, exchanged between persons other than sender and the addressee or persons living with them, is prohibited.
- c. Inbound Surface Parcel Post (at UPU rates) service, with the exception of transit mail, is not sealed against inspection.
- d. Single-Piece Inbound Surface Parcel Post (at UPU rates) service is subject to the provisions of the Universal Postal Convention and the Universal Postal Union Parcel Post Regulations.

- e. Indemnity for Inbound Surface Parcel Post (at UPU rates) based on the weight of the parcel is included.
- f. Inbound Surface Parcel Post (at UPU rates) includes transit revenue for surface parcels transiting from a foreign country to another foreign country through the United States.
- g. Postage and other charges paid by the sender are determined by the country of origin.

2310.2 Size and Weight Limitations

	Length	Height	Thickness	Weight
Minimum	5.5 inches	none	3.5 inch	none
Maximum	42 inches			70 pounds
	79 inches in combined length and girth			

2310.3 Minimum Volume Requirements

	Minimum Volume Requirements
Inbound-Air Parcel Post (at UPU rates)	none

2310.4 Price Categories

The following price categories are available for the product specified in this section:

- UPU – Inward Land Rates

2310.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- International Ancillary Services (2615)
 - International Return Receipt (2615.3)
 - International Insurance (2615.5)
 - Customs Clearance and Delivery Fee (2615.6)

2310.6 Prices

Foreign postal operators pay the Postal Service inward land rates for the delivery of inbound mail. The Universal Postal Union Postal Operations Council sets the amount paid for incoming ~~air~~ parcel flows tendered by postal operators with which there is no contractual relationship governing the applicable price. Payment by the foreign postal operators is made in accordance with Universal Postal Convention Part III, Chapter 2 and associated UPU Parcel Post Regulations. This information is available in the Parcel Post Manual at www.upu.int.

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2600 SPECIAL SERVICES

2615 International Ancillary Services

2615.3 International Return Receipt

2615.3.1 Description

Outbound International Return Receipt

- a. Outbound International Return Receipt service provides evidence to the mailer that an article has been received at the delivery address. It must be purchased at the time of mailing. The return receipt, which is attached to the article mailed, is signed at the point of delivery and is returned to the sender.
- b. Outbound International Return Receipt service is subject to availability in the destination country for registered Outbound Single-Piece First-Class Package International Service, Priority Mail International Flat Rate Envelopes, Priority Mail International Small Flat Rate Boxes, and insured Priority Mail International parcels.

Inbound International Return Receipt

- a. Inbound International Return Receipt service provides evidence to the mailer that an article has been received at the delivery address. A return receipt is signed at the point of delivery and is returned to the sender.
- b. Inbound International Return Rceipt service is available for insured air and surface parcels.

2615.5 International Insurance

2615.5.1 Description

Outbound International Insurance

- a. Optional Outbound International Insurance may be purchased to protect against loss, damage, or missing contents for Priority Mail International parcels and Priority Mail International Large and Medium Flat Rate Boxes. When additional insurance is purchased for

uninsured Priority Mail International parcels, it replaces the indemnity coverage.

- b. Optional additional merchandise insurance may be purchased to protect against loss, damage, or missing contents for Priority Mail Express International.
- c. Optional additional insurance may be purchased to protect against loss, damage, or missing contents Global Express Guaranteed.

Inbound International Insurance

- a. Inbound International Insurance is available for inbound air parcels and inbound surface parcels from countries which offer the service on a reciprocal basis. Indemnity limits vary by country as specified in the International Mail Manual. The maximum insurance limit available in the United States is \$5,000.00.

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