

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

Before Commissioners:

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

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2016-9

NOTICE AND ORDER CONCERNING CHANGES IN RATES OF GENERAL
APPLICABILITY FOR COMPETITIVE PRODUCTS

(Issued October 19, 2015)

On October 16, 2015, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.¹ The Notice also includes related classification changes. The Postal Service represents that, as required by the Commission's rules, 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. Notice at 1. The changes are scheduled to become effective January 17, 2016. *Id.*

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 15-1, October 16, 2015 (Notice). Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

Attached to the Notice is Governors' Decision No. 15-1, which evaluates the new prices and classification changes in accordance with 39 U.S.C. 3632, 3633, and 39 CFR 3015.2.² The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with 39 U.S.C. 3633 and 39 CFR part 3015. Governors' Decision No. 15-1 at 1.

The attachment to Governors' Decision No. 15-1 sets forth the price changes and includes draft Mail Classification Schedule (MCS) language for competitive products of general applicability. Selected highlights of the price and classification changes follow.

Priority Mail Express. Priority Mail Express prices increase, on average, by 15.6 percent. The existing structure of Priority Mail Express Retail, Commercial Base, and Commercial Plus price categories does not change. The proposed prices for Priority Mail Express Retail, Commercial Base, and Commercial Plus increase by 14.4 percent, 17.7 percent, and 48.2 percent respectively. Due to insufficient demand, the Postal Service proposes eliminating the Priority Mail Express Flat Rate Box price category. Governors' Decision No. 15-1 at 2.

Priority Mail. Priority Mail prices increase, on average, by 9.8 percent. The existing structure of Priority Mail Retail, Commercial Base, and Commercial Plus price categories does not change. The proposed prices for Priority Mail Retail, Commercial Base, and Commercial Plus increase by 8.6 percent, 9.4 percent, and 13.3 percent respectively. Due to low customer usage, the Postal Service also proposes eliminating Regional Rate Box C and Critical Mail. *Id.* at 2-3.

Parcel Select. Non-Lightweight Parcel Select prices increase, on average, by 3.1 percent. The average price for destination entered parcels and non-destination entered parcels increase by 4.9 percent and 1.9 percent respectively. The proposed prices for Lightweight Parcel Select increase by 23.5 percent. The proposed prices for

² Decision of the Governors of the United States Postal Service on Changes in Rates and Classes of General Applicability for Competitive Products (Governors' Decision No. 15-1), September 17, 2015 (Governors' Decision No. 15-1).

Parcel Select Nonpresort, which the Postal Service rebrands as Parcel Select Ground, increase by 1.9 percent. To simplify product offerings, the Postal Service proposes to eliminate the Parcel Select Origin Network Distribution Center Presort and Network Distribution Center Presort price categories. *Id.* at 3.

Parcel Return Service. Parcel Return Service prices increase, on average, by 5.0 percent. The price for parcels picked up at a Return Sectional Center Facility will increase by 5.0 percent as will the price for parcels picked up at a Return Delivery Unit. Due to low customer demand, the Postal Service proposes eliminating the Return Network Distribution Center pricing category. *Id.*

First-Class Package Service. First-Class Package Service prices increase, on average, by 12.8 percent. The Postal Service proposes to eliminate the 3-digit, 5-digit, and Area Distribution Center presort levels to simplify the product. Additionally, to streamline the product, the Postal Service proposes consolidating the 14, 15, and 15.999 ounce offerings under the Commercial Plus price category and eliminating the Commercial Plus price category. *Id.* at 3-4.

Standard Post (Retail Ground). The proposed prices for Standard Post, which the Postal Service rebrands as Retail Ground, increase by 10.0 percent. *Id.* at 4.

Domestic Extra Services. Prices for several Domestic Extra Services are proposed to increase. The retail counter enrollment fee for Premium Forwarding Service (PFS) increases to \$18.65. The online enrollment fee for PFS increases to \$17.10. The weekly reshipment fee for PFS increases to \$18.65. Prices for Adult Signature service will increase to \$5.70 for the basic service and \$5.95 for the person-specific service. Address Enhancement Service prices increase up to 7.1 percent. Competitive Post Office Box prices increase by, on average, 3.5 percent. The proposed price increase for Package Intercept Service is 3.3 percent. *Id.*

Global Express Guaranteed and Priority Mail Express International. Overall, Global Express Guaranteed service prices increase by 7.1 percent. Priority Mail Express International (PMEI) service prices increase by 11.6 percent. Commercial Plus prices will be equivalent to Commercial Base prices and deeper discounting may be

available to customers through negotiated service agreements. Prices for PMEI Flat Rate Envelopes will be further separated into additional country groups. Due to low customer usage, the Postal Service proposes eliminating the PMEI Flat Rate Box product. *Id.* at 4-5.

Priority Mail International. Overall, Priority Mail International (PMI) prices increase by 10.2 percent. Commercial Plus prices will be equivalent to Commercial Base prices and deeper discounting may be available to customers through negotiated service agreements. Prices for PMI Flat Rate Envelopes and Boxes will be further separated into additional country groups. “Insurance will be offered up to \$200 for merchandise and \$100 for documents in lieu of weight-based indemnity available under current international exchanges.” For PMI pieces destined for Canada, a fee will be established for the International Service Center zone chart in order to determine applicable Origin Zone. In accordance with the elimination of Regional Rate Box C from domestic Priority Mail, PMI Regional Rate Box C will no longer be available for PMI Regional Rate Boxes Contracts or PMI Regional Rate Boxes—Non-published Rates Contracts. *Id.* at 5.

International Priority Airmail and International Surface Air Lift. The published prices for International Priority Airmail (IPA) and International Surface Air Lift (ISAL) are proposed to increase by 4.2 percent and 6.3 percent respectively. IPA and ISAL M-Bags are proposed to increase by 3.5 percent and 5.3 percent respectively. *Id.*

Airmail M-Bags. The published prices for Airmail M-Bags increase by 9.2 percent. *Id.*

First-Class Package International Service. Overall, prices for First-Class Package International Service (FCPIS) increase by 21.6 percent. Commercial Plus prices will be equivalent to Commercial Base prices and deeper discounting may be available to customers through negotiated service agreements. *Id.*

International Ancillary Services and Special Services. Overall, International Postal Money Orders prices increase by 5.6 percent. The International Money Order

Inquiry Fee increases by 3.5 percent. The International Money Transfer Service prices increase up to 3.7 percent. *Id.* at 6.

Further details of these changes may be found in the attachment to Governors' Decision No. 15-1, which is included as part of the Notice and contains proposed changes to the MCS in legislative format.

The Notice also includes three additional attachments:

- A redacted table showing FY 2016 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming implementation of the new prices on January 17, 2016.
- A redacted table showing FY 2016 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming a hypothetical implementation of the new prices on October 1, 2015.
- An application for non-public treatment of the attributable costs, contribution, and cost coverage data in the unredacted version of the annex to Governors' Decision No. 15-1, as well as the supporting materials for the data.

The table referenced above shows that the share of institutional cost generated by competitive products, assuming implementation of new prices on January 17, 2016, is expected to be 15.8 percent.

Notice. The Commission establishes Docket No. CP2016-9 to consider the Postal Service's Notice. Interested persons may express views and offer comments on whether the planned changes are consistent with 39 U.S.C. 3632, 3633, 3642, 39 CFR part 3015, and 39 CFR 3020 subparts B and E. Comments are due no later than October 29, 2015. For specific details of the planned price and classification changes, interested persons are encouraged to review the Notice, which is available on the Commission's website, www.prc.gov.

Pursuant to 39 U.S.C. 505, Tracy N. Ferguson is appointed to serve as Public Representative to represent the interests of the general public in this docket.

It is ordered:

1. The Commission establishes Docket No. CP2016-9 to provide interested persons an opportunity to express views and offer comments on whether the planned changes are consistent with 39 U.S.C. 3632, 3633, 3642, 39 CFR part 3015, and 39 CFR 3020 subparts B and E.
2. Comments are due no later than October 29, 2015.
3. The Commission appoints Tracy N. Ferguson to serve as Public Representative to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Ruth Ann Abrams
Acting Secretary