Postal Regulatory Commission

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Press Release
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Postal Regulatory Commission Verifies Competitive Products Price Changes

Washington, DC – The independent Postal Regulatory Commission today issued its review of price adjustments sought by the U.S. Postal Service for competitive postal products. Chairman Dan G. Blair announced the Commissions' unanimous decision that the increases sought for competitive products were not unlawful. Blair noted the Commission completed its review within the compressed timeframe dictated by its regulations finalized last October. Today's order authorizes the first price adjustments for this class of products using the ratemaking flexibility provided under the Postal Accountability and Enhancement Act of 2006 (PAEA).

Price adjustments sought by the Postal Service for its competitive products will affect rates for Priority Mail, Express Mail, Parcel Select, Parcel Return Service and certain international mail offerings. Rates for competitive products must produce sufficient revenues to ensure competitive products are not subsidized by market dominant products. Each competitive product must recover its attributable costs. In addition, competitive products, as a group, must pay their share of institutional costs, which currently is 5.5 percent. The planned adjustments are scheduled to take effect on May 12, 2008. The Commission's determination and summary may be found on its website, www.prc.gov.

The Commission's decision noted that it expects future Postal Service requests to demonstrate more timely and accurate information. The new Commission regulations require the Commission to act on the Service's request within the compressed timeframe envisioned by the PAEA.

"This is the first filing for competitive products price adjustments under the Commission rules issued last October. We expect that the Postal Service will gain experience from this filing and will provide the Commission with more transparent data submissions," said Blair.

Listed below are the percentage increases:

Domestic	Rate Change (%)
Express Mail	3.1
Priority Mail	4
Parcel Select	5.7
Parcel Return Service	2

International	Rate Change (%)
Global Express Guaranteed	5.2
Express Mail International	6
Priority Mail International	6.1
International Direct Sacks–M-Bags	5.9
International Priority Airmail	12.5
International Surface Airlift	21.3

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The Postal Regulatory Commission is an independent federal agency comprised of five Presidentially-appointed and Senate-confirmed Commissioners, each serving terms of six years. The Chairman is designated by the President. In addition to Chairman Blair, the other four Commissioners are Ruth Goldway, Tony Hammond, and Mark Acton.

COMPETITIVE PRODUCTS PRICE CHANGES

SUMMARY

This is the first review of Postal Service price adjustments for competitive products. On March 12, 2008, the Postal Service filed a notice of the Governors' Decision No. 08-3 which announced planned changes in rates of general applicability for all competitive products.[1] The planned adjustments are scheduled to take effect on May 12, 2008.

Based on the Notice and supporting material, public comments, and supplemental information submitted by the Postal Service, the Commission finds no reason to conclude that the planned price adjustments for competitive products are not in compliance with applicable statutory provisions.

Transparency and accountability are central objectives of the Postal Accountability and Enhancement Act (PAEA). To achieve these objectives, the Postal Service should strive to provide more complete and unambiguous information in subsequent competitive products price change filings. This is particularly important given the relatively short time frames in which the Commission is required to act. The PAEA contemplates prompt review without the need for successive rounds of information requests and responses to clarify the changes that the Service intends to implement. In several areas, the Commission's review in this case has been hampered by the limited explanations and information presented in the initial Postal Service filing. For example, the information originally provided by the Postal Service implies that the average daily Express Mail volume thresholds used to determine incentive rebates to commercial mailers are calculated quarterly using calendar days. Subsequent information disclosed, however, that the calculation is based on workdays (*i.e.* calendar days minus Saturdays, Sundays, and holidays). This difference is important because it affects the level of rebates to commercial mailers and thus the financial impact of the

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[1] *See* Notice of the United States Postal Service of Governors' Decision No. 08-3, March 12, 2008 (Notice).

planned price changes. Similar ambiguities in the description of the planned discounts for Parcel Select also hindered the Commission's analysis.

The Commission anticipates that future notices of competitive product price adjustments will include better descriptions of planned changes, including clear and complete explanations of the manner in which incentives operate and rebates are "paid."

A second deficiency concerns certain cost data provided in support of the planned changes for certain products. The Commission expects future competitive product price adjustments to contain a more detailed and much clearer demonstration that with the planned changes, rates will satisfy the applicable statutory regulatory criteria of 39 U.S.C. § 3633(a).

The Commission appreciates that the Postal Service data collection systems do not yet fully reflect the changes required by the PAEA, *e.g.*, to collect cost data by product and distinguish between competitive and market dominant products. Moreover, the Commission recognizes that this proceeding is the first under the recently adopted rules governing competitive rate changes. As experience is gained, these rules may have to be expanded to provide more guidance to the Postal Service. These factors have influenced the Commission deliberations in this proceeding.