

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

Before Commissioners:

Dan G. Blair, Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Tony L. Hammond

Competitive Product Prices  
Royal Mail Inbound Air Parcel Post Agreement

Docket No. MC2009-24

Competitive Product Prices  
Royal Mail Inbound Air Parcel Post Agreement  
(MC2009-24)  
Negotiated Service Agreement

Docket No. CP2009-28

NOTICE AND ORDER CONCERNING  
ROYAL MAIL INBOUND AIR PARCEL POST  
NEGOTIATED SERVICE AGREEMENT

(Issued April 27, 2009)

I. INTRODUCTION

On April 21, 2009, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et. seq.* to add the Royal Mail Inbound Air Parcel Post Agreement to the Competitive Product List.<sup>1</sup> The Postal Service asserts that the Governors have established a price and classification “not of general applicability” within

---

<sup>1</sup> Request of the United States Postal Service to Add Royal Mail Inbound Air Parcel Post Agreement to the Competitive Products List and Notice of Filing (Under Seal) Contract and Enabling Governors' Decision, April 21, 2009 (Request).

the meaning of 39 U.S.C. 3632(b)(3). *Id.* at 1. The Request has been assigned Docket No. MC2009-24.

The Postal Service contemporaneously filed an agreement related to the proposed new product pursuant to 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. The agreement has been assigned Docket No. CP2009-28.

*Request.* The Request incorporates (1) a statement of supporting justification as required by 39 CFR 3020.32; (2) Governors' Decision No. 09-5 authorizing the new product which includes a certification of the vote, requested changes in the Mail Classification Schedule (MCS) product list, an analysis of the agreement and a certification of compliance with 39 U.S.C. 3633(a); (3) a redacted version of the agreement; and (4) an additional certification of compliance with 39 U.S.C. 3633(a).<sup>2</sup> Substantively, the Request seeks to add the Royal Mail Inbound Air Parcel Post Agreement to the Competitive Product List. *Id.* at 1-2.

In the statement of supporting justification, Giselle Valera, Executive Director, Global Finance and Business Analysis, asserts that the service to be provided under the agreement will cover its attributable costs, make a positive contribution to institutional costs, and increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. *Id.*, Attachment 1. Thus, Ms. Valera contends there will be no issue of subsidization of competitive products by market dominant products as a result of this agreement. *Id.*

---

<sup>2</sup> Attachment 1 to the Request consists of the Statement of Supporting Justification. Attachment 2 is the Decision of the Governors of the United States Postal Service on Establishment of Prices and Classifications for Royal Mail Group Inbound Air Parcel Post Agreement (Governors' Decision No. 09-5). The Governors' Decision includes Attachment A, requested changes in the MCS product list; Attachment B, a redacted version of Management Analysis of Royal Mail Group Inbound Air Parcel Post Agreement; and Attachment C, a redacted version of Certification of Prices for the Royal Mail Group Inbound Air Parcel Post Agreement. Attachment 3 is a redacted version of the contract. Attachment 4 is an additional redacted certification of compliance with 39 U.S.C.3633 (a) for the agreement. The Postal Service states that the additional certification "was effected to account for changes in the estimated amount of inward land rate payments in 2010 due to revisions to the payment structure under the [Universal Postal Union's] Parcel Post Regulations that will become effective on January 1, 2010." *Id.* at 2, n.3.

*Related contract.* A redacted version of the bilateral Royal Mail Inbound Air Parcel Post agreement is included with the Request. The Postal Service represents that the agreement is consistent with 39 U.S.C. 3633(a) and 39 CFR 3015.7(c). *See id.*, Attachment 2 and Attachment 3. The agreement implements negotiated rates for Inbound Air Parcel Post from the United Kingdom. It becomes effective after the Postal Service notifies Royal Mail that it has received all required reviews and the Commission has provided all necessary regulatory approvals. The Postal Service states that the agreement is to remain in effect until terminated by the parties.

Currently, the Postal Service and Royal Mail apply the inward land rates for Air Parcel Post established by the Universal Postal Union's Postal Operations Council.<sup>3</sup> In the Postal Service's original proposed MCS language for Inbound Air Parcel Post, bilateral agreements were included as a price category within the Inbound Air Parcel Post product.<sup>4</sup> The Postal Service states it is proposing that the Royal Mail agreement be classified as a separate product as a practical matter and in conformity with the intent of the Commission's ruling in Order No. 43<sup>5</sup> which contemplates that each agreement or group of functionally equivalent agreements may be considered as one product. *Id.* at 4.

The Postal Service filed much of the supporting materials, including the analysis of the agreement, Governors' Decision, and the specific Royal Mail Inbound Air Parcel Post agreement in redacted versions and under seal. In its Request, the Postal Service maintains that the agreement and related financial information, including the customer's name and the accompanying analyses that provide prices, terms, conditions, and financial projections should remain under seal. *Id.* at 2-3.

---

<sup>3</sup> See Universal Postal Union International Bureau Circular No. 241, "Parcel Post-Inward Land Rates Applicable from 1 January 2009," September 29, 2008.

<sup>4</sup> See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007.

<sup>5</sup> See PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. Mc 2007-1, October 29, 2007, at ¶¶ 2177, 2198.

## II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2009-24 and CP2009-28 for consideration of the Request pertaining to the proposed Royal Mail Inbound Air Parcel Post product and the related bilateral contractual agreement as a competitive product respectively. In keeping with practice, these dockets are addressed on a consolidated basis for purposes of this Order; however, future filings should be made in the specific docket in which issues being addressed pertain.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020 subpart B. Comments are due no later than May 5, 2009. The public portions of these filings can be accessed via the Commission's website ([www.prc.gov](http://www.prc.gov)).

The Commission appoints Paul L. Harrington to serve as Public Representative in these dockets.

### *It is Ordered:*

1. The Commission establishes Docket Nos. MC2009-24 and CP2009-28 for consideration of the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, Paul L. Harrington is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.
3. Comments by interested persons in these proceedings are due no later than May 5, 2009.

4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams  
Secretary