

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

COMPETITIVE PRICE CHANGES

Docket No. CP2024-295

**USPS NOTICE OF CHANGES IN
RATES OF GENERAL APPLICABILITY
FOR COMPETITIVE PRODUCTS**
(May 10, 2024)

Pursuant to 39 C.F.R. §§ 3035.102 and 3035.104, the United States Postal Service hereby gives notice of changes in rates of general applicability for competitive products, specifically, Parcel Select. In accordance with Rule 3035.102(b) and Rule 3035.104(b), this Notice provides the Governors' Decision establishing the changes, including a statement of explanation and justification, and certification of the vote. The new prices will take effect on July 14, 2024.

Attached to this pleading is a schedule showing the new prices incorporated into a draft of the revisions to the competitive products section of the Mail Classification Schedule. Also being filed herewith is a non-public annex showing FY 2025 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product. Additionally, in accordance with Order No. 1062, the Postal Service is filing supporting forecast data and price adjustment calculations for each affected product. An application for non-public treatment of this material is attached to this pleading, along with a redacted, public version of the annex. Redacted versions of certain supporting materials are also being filed.

Proposed Price Changes for July 2024

The price changes proposed in this filing are limited to the Parcel Select product. No other competitive product prices are changing for July 2024. Our Parcel Select price changes are designed to better align our product and pricing strategies with our operating model and goals. The Postal Service no longer intends to incentivize parties to aggregate mail volume from multiple shippers and bring such volume directly to the destination delivery unit (DDU). Accordingly, Parcel Select prices as a whole will increase 25.0 percent on average in July 2024. For DDU entered parcels, the average price increase will be 43.4 percent. These price changes for DDU promote better utilization of network processing and transportation capacity by realigning rate relationships across entry points. For destination hub (Dhub) entered parcels, the average price increase will be 0.0 percent, and for destination sectional center facility (DSCF) entered parcels, the average price increase will be 8.6 percent. For destination network distribution center (DNDC) parcels, the average price increase will be 18.6 percent. Finally, prices for USPS Connect Local will increase 15.9 percent on average, in order to align with the DDU prices.

Proposed Classification Changes for July 2024

No additional classification changes are proposed for July 2024.

The Governors' Decision and record of proceedings will be published in the *Federal Register* in accordance with 39 U.S.C. § 3632(b)(2).

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 10, 2024

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON CHANGES
IN RATES OF GENERAL APPLICABILITY FOR COMPETITIVE PRODUCTS
(GOVERNORS' DECISION NO. 24-3)**

May 9, 2024

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish price changes of general applicability for the Postal Service's shipping services (competitive products), specifically, Parcel Select. The changes are described generally below, with a detailed description of the changes in the Postal Service's associated draft Mail Classification Schedule change document. That document contains the draft Mail Classification Schedule sections with new prices displayed in the price charts.

The Parcel Select price changes for July 2024 are designed to better align the Postal Service's product and pricing strategies with its operating model and goals. In order to more effectively utilize the postal processing and transportation network and realize enhanced economies, the Postal Service no longer intends to incent parties to aggregate mail volume from multiple shippers and to bring such volume directly to the destination delivery unit.

Accordingly, Parcel Select prices as a whole will increase 25.0 percent on average in July 2024. For destination delivery unit (DDU) entered parcels, the average price increase is 43.4 percent. These aggressive price changes for DDU promote full utilization of network processing and transportation capacity to achieve lower unit costs by realigning rate relationships across entry points. For destination hub (Dhub) entered parcels, the average price increase is 0.0 percent. For destination sectional center facility (DSCF) entered parcels, the average price increase is 8.6 percent. For destination network distribution center (DNDC) parcels, the average price increase is

18.6 percent. Prices for USPS Connect Local will increase 15.9 percent on average, in order to align with the DDU prices. No other price changes to the Parcel Select product, or any other competitive products, are established with this Decision.

As shown in the nonpublic annex being filed under seal herewith, the changes we establish should enable each competitive product to cover its attributable 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. § 3035.107(c), requires competitive products collectively to contribute a minimum of 9.9 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)). We therefore find that the new prices and classification changes are in accordance with 39 U.S.C. §§ 3632–3633 and 39 C.F.R. §§ 3035.102 and 104.

ORDER

The changes in prices set forth herein shall be effective at 12:01 A.M. on July 14, 2024. We direct the Secretary to have this decision published in the *Federal Register* in accordance with 39 U.S.C. § 3632(b)(2) and direct management to file with the Postal Regulatory Commission appropriate notice of these changes.

By The Governors:

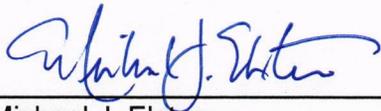


Roman Martinez IV
Chairman, Board of Governors

**UNITED STATES POSTAL SERVICE
OFFICE OF THE BOARD OF GOVERNORS**

**CERTIFICATION OF GOVERNORS' VOTE ON
GOVERNORS' DECISION NO. 24-3**

Consistent with 39 USC 3632(a), I hereby certify that on May 9, 2024, the Governors voted on adopting Governors' Decision No. 24-3, and that a majority of the Governors then holding office voted in favor of that Decision.



Michael J. Elston
Secretary of the Board of Governors

May 9, 2024

MAIL CLASSIFICATION SCHEDULE CHANGES

2001 COMPETITIVE PRODUCT DESCRIPTIONS

*** * ***

2100 DOMESTIC PRODUCTS

*** * ***

2115 Parcel Select

2115.6 Prices

Destination Entered – USPS Connect Local

a. Connect Local - DDU

Maximum Weight (pounds)	Connect Local - DDU (\$)
1	4.50
2	4.77
3	5.21
4	5.62
5	6.00
6	6.35
7	6.69
8	7.01
9	7.31
10	7.61
11	7.78
12	8.06
13	8.33
14	8.59
15	8.86
16	9.12
17	9.37
18	9.64
19	9.89
20	10.14
21	10.84
22	11.04
23	11.22
24	11.35
25	11.49

a. Connect Local – DDU (Continued)

Flat Rate Bag - Small	4.15
Flat Rate Bag - Large	4.95
Flat Rate Box	4.95
Sunday Fee	1.95
Oversized	29.19

b. Sunday Delivery

Available for an additional \$1.95 per package, where available, as specified by the Postal Service.

c. Oversized Pieces

Regardless of weight, any piece that measures more than 108 inches (but not more than 130 inches) in length plus girth must pay the oversized price. As stated in the Domestic Mail Manual, any piece that is found to be over the 70 pound maximum weight limitation is nonmailable, will not be delivered, and may be subject to the \$100.00 overweight item charge.

d. Forwarding and Returns

Parcel Select pieces that are forwarded on request of the addressee or forwarded or returned on request of the mailer will be subject to the applicable USPS Ground Advantage price, plus \$3.00, when forwarded or returned. For customers using Address Correction Service with Shipper Paid Forwarding/Return, and also using an IMpb, the additional fee will be \$2.50.

Destination Entered — DDU, DHub, DSCF, DNDC

a. DDU, DHub, DSCF, DNDC

Maximum Weight (oz/lb)	DDU	DHub	DSCF	DNDC
4oz.	4.50	4.99	4.99	6.17
8oz.	4.50	4.99	4.99	6.17
12oz.	4.50	4.99	4.99	6.17
1lb.	4.50	4.99	4.99	6.17
2	4.77	5.26	5.26	7.21
3	5.21	5.70	5.70	7.56
4	5.62	6.11	6.11	7.81
5	6.00	6.49	6.49	7.99
6	6.35	6.84	6.84	8.17
7	6.69	7.18	7.18	8.43
8	7.01	7.50	7.50	8.79
9	7.31	7.80	7.80	9.28
10	7.61	8.10	8.10	9.90
11	7.78	8.27	8.27	10.78
12	8.06	8.55	8.55	11.33
13	8.33	8.82	8.82	11.84
14	8.59	9.08	9.08	12.28
15	8.86	9.35	9.35	12.65
16	9.12	9.61	9.61	12.94
17	9.37	9.86	9.86	13.23
18	9.64	10.13	10.13	13.57
19	9.89	10.38	10.38	13.88
20	10.14	10.63	10.63	14.50
21	10.84	11.33	11.33	15.40
22	11.04	11.53	11.53	16.54
23	11.22	11.71	11.71	17.92
24	11.35	11.84	11.84	19.53
25	11.49	11.98	11.98	21.10

a. *DDU, DHub, DSCF, DNDC (Continued)*

Maximum Weight (oz/lb)	DDU	DHub	DSCF	DNDC
26	11.63	12.12	12.12	21.89
27	11.78	12.27	12.27	22.68
28	11.92	12.41	12.41	23.31
29	12.05	12.54	12.54	23.93
30	12.18	12.67	12.67	24.55
31	12.33	12.82	12.82	25.16
32	12.44	12.93	12.93	25.77
33	12.58	13.07	13.07	26.37
34	12.72	13.21	13.21	26.96
35	12.85	13.34	13.34	27.55
36	14.86	15.35	15.35	28.14
37	14.98	15.47	15.47	28.71
38	15.11	15.60	15.60	29.28
39	15.23	15.72	15.72	29.85
40	15.37	15.86	15.86	30.41
41	15.49	15.98	15.98	30.96
42	15.61	16.10	16.10	31.51
43	15.74	16.23	16.23	32.05
44	15.86	16.35	16.35	32.59
45	15.99	16.48	16.48	33.12
46	16.11	16.60	16.60	33.64
47	16.24	16.73	16.73	34.16
48	16.39	16.88	16.88	34.67
49	16.52	17.01	17.01	35.18
50	16.66	17.15	17.15	35.68

a. *DDU, DHub, DSCF, DNDC (Continued)*

Maximum Weight (oz/lb)	DDU	DHub	DSCF	DNDC
51	16.83	17.32	17.32	36.17
52	16.97	17.46	17.46	36.66
53	17.15	17.64	17.64	37.14
54	17.31	17.80	17.80	37.62
55	17.49	17.98	17.98	38.09
56	17.63	18.12	18.12	38.56
57	17.81	18.30	18.30	39.02
58	17.97	18.46	18.46	39.47
59	18.13	18.62	18.62	39.92
60	18.30	18.79	18.79	40.36
61	18.47	18.96	18.96	40.80
62	18.63	19.12	19.12	41.23
63	18.78	19.27	19.27	41.65
64	18.94	19.43	19.43	42.07
65	19.11	19.60	19.60	42.48
66	19.27	19.76	19.76	42.89
67	19.42	19.91	19.91	43.29
68	19.59	20.08	20.08	43.69
69	19.74	20.23	20.23	44.08
70	19.90	20.39	20.39	44.46
Oversized	29.19	29.68	29.68	88.62

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Competitive Rate Changes July 14, 2024 Implementation

COMPETITIVE PRODUCT CONTRIBUTION & COST COVERAGE ANALYSIS					
Fiscal Year 2025 July	FY2025 Revenue (000's)	FY2025 Volume (000's)	FY2025 Attributable Cost (000's)	FY2025 Contribution (000's)	FY2025 Cost Coverage
Priority Mail Express					
Current Prices	\$ 633,817	20,442			
New Prices	\$ 633,817	20,442			
Change	\$ -	-			
USPS Ground Advantage					
Current Prices	\$ 12,517,998	2,342,035			
New Prices	\$ 12,517,998	2,342,035			
Change	\$ -	-			
Priority Mail					
Current Prices	\$ 8,989,324	883,818			
New Prices	\$ 8,989,324	883,818			
Change	\$ -	-			
Parcel Select Change - Total					
Current Prices	\$ 10,688,803	3,707,905			
New Prices	\$ 10,851,482	3,631,930			
Change	\$ 162,680	(75,974)			
Parcel Return Service - NSA					
Current Prices	\$ 214,546	61,747			
New Prices	\$ 212,772	61,237			
Change	\$ (1,774)	(511)			
Premium Forwarding Service					
Current Prices	\$ 25,835	861			
New Prices	\$ 25,835	861			
Change	\$ -	-			
Post Office Box Services					
Current Prices	\$ 1,190,507	-			
New Prices	\$ 1,190,507	-			
Change	\$ -	-			
Address Enhancement Services					
Current Prices	\$ 1,361	-			
New Prices	\$ 1,361	-			
Change	\$ -	-			
Shipping & Mailing Supplies					
Current Prices	\$ 118,864	-			
New Prices	\$ 118,864	-			
Change	\$ -	-			
Other Ancillary Services					
Current Prices	\$ 25,153	\$ -			
New Prices	\$ 25,153	\$ -			
Change	\$ -	-			
Greeting Cards					
Current Prices	\$ 21,023	-			
New Prices	\$ 21,023	-			
Change	\$ -	-			
Competitive International*					
Current Prices	\$ 1,163,764	133,389			
New Prices	\$ 1,163,764	133,389			
Change	\$ -	-			
Total Competitive Products (Current)	\$ 35,590,995	7,150,196			
Total Competitive Products (New)	\$ 35,751,901	7,073,711			
Differences	\$ 160,905	(76,485)			
Competitive Product Contribution Calculation					
Total Contribution		\$ 14,061,868			
Institutional Cost		\$ 41,143,365			
<i>Contribution from Competitive Products as a % of Institutional Cost</i>			34.2%		

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3011.201, the Postal Service hereby applies for non-public treatment of the attributable cost, contribution, and cost coverage data in the unredacted version of the annex to Governors' Decision No. 24-3, as well as the supporting materials for those data, which include disaggregated product volume, weight, and revenue distribution information by price cell. The materials consist of spreadsheets that contain calculations to determine the weighted average price increase and cost coverage for each competitive product within the scope of this docket. The Postal Service hereby furnishes below the justification for this application as required by each subsection of 39 C.F.R. § 3011.201(b). For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials. The Postal Service is concurrently filing redacted versions of these files, where it has determined redactions to be practicable.

(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.

The materials designated as non-public consist of information of a commercial nature as well as third-party business information that, under good business practice, would not be disclosed to the public. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (b)(4).¹ Because the portions of the materials filed non-publicly

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury,

in this docket by the Postal Service fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant the Postal Service's application for their non-public treatment.

(2) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials, and the identification(s) specified in paragraphs (b)(2)(i) through (iii) of this section (whichever is applicable). For purposes of this paragraph, identification means the name, phone number, and email address of an individual.²

None.

such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

² Section 3011.201(b)(2) further states the following:

(i) If the submitter has a proprietary interest in the information contained within the materials, identification of an individual designated by the submitter to accept actual notice of a motion related to the non-public materials or notice of the pendency of a subpoena or order requiring production of the materials.

(ii) If any person other than the submitter has a proprietary interest in the information contained within the materials, identification of each person who is known to have a proprietary interest in the information. If such an identification is sensitive or impracticable, an explanation shall be provided along with the identification of an individual designated by the submitter to provide notice to each affected person.

(iii) If both the submitter and any person other than the submitter have a proprietary interest in the information contained within the non-public materials, identification in accordance with both paragraphs (b)(2)(i) and (ii) of this section shall be provided. The submitter may designate the same individual to fulfill the requirements of paragraphs (b)(2)(i) and (ii) of this section.

- (3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue, would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.**

The redacted information consists of the projected FY 2025 attributable cost, contribution, and cost coverage for each competitive product that is the subject of this docket. The Postal Service has filed information concerning the calculations used to develop the weighted average price increase by product and cost coverage. Protected information in the spreadsheets includes volume and revenue by price cell (weight increment and zone), as well as product-specific cost data and other supporting data. Such information for competitive product categories is commercially sensitive at the disaggregated, cell-specific level shown in the spreadsheets.

- (4) Particular identification of the nature and extent of the harm alleged and the likelihood of each harm alleged to result from disclosure.**

If competitors of the Postal Service were to have access to this information, they would likely focus their marketing and price cutting efforts on the Postal Service's most profitable products. This will lead to erosion of contribution of these products through lost sales and/or the need to lower prices to compete. Postal product cost and contribution information would provide suppliers of postal transportation and other services with information they could use to seek higher rates for services they provide. This would lead to higher postal costs and loss of contribution. Although the extent of the commercial harm is difficult to quantify, given that Shipping Services is a multi-billion dollar enterprise, even a small change in market share, prices, or costs could lead to millions of dollars in lost revenue, higher costs, and lower contribution margins. It is

highly likely that if this information were made public, the Postal Service's competitors and suppliers would take advantage of it almost immediately.

Competitors could use the product-specific revenue, pieces, and weight information to analyze the Postal Service's possible market strengths and weaknesses and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Disclosure of this information would also undermine the Postal Service's position in negotiating favorable terms with potential customers, who would be able to ascertain critical information about relevant product trends (e.g., average revenue per piece, average weight per piece).

(5) At least one specific hypothetical, illustrative example of each alleged harm.

Identified harm: Competitors could use product cost, contribution, or cost coverage information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment.

Hypothetical: Cost, contribution and/or cost coverage information is released to the public and available to a competitor. The competitor assesses the profitability of certain services based on the data released. The competitor then targets its advertising and sales efforts at actual or potential customers in market segments where the Postal Service has substantial contribution, thereby hindering the Postal Service's ability to maintain these customers.

Identified harm: Competitors could use disaggregated product volume, weight, and revenue distribution information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment, and also during negotiations with the Postal Service.

Hypothetical: Disaggregated revenue, volume, and weights contained in the Nonpublic Annex are disclosed to the public. Another delivery service's employee monitors the filing of this information and passes it along to the firm's sales and marketing functions. The competitor assesses the profitability of certain services on a per-piece or per-pound basis or the Postal Service's relative concentration in certain service offerings. The competitor then targets its advertising and sales efforts at actual or potential customers in market segments where the Postal Service appears to have made headway, hindering the Postal Service's ability to reach out effectively to these customers.

(6) The extent of the protection from public disclosure alleged to be necessary.

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the market for domestic parcel shipping products and in the market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, suppliers of transportation or other services to the Postal Service that affect costs for competitive services should not have access to these materials; this restriction should include their consultants and attorneys. Also, the Postal Service believes that foreign postal operators, as well as actual or potential customers of a postal operator for this or similar products should not be provided access to the non-public Excel worksheets.

(7) The length of time for which non-public treatment is alleged to be necessary with justification thereof.

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless otherwise provided by the Commission. 39 C.F.R. § 3011.401(a). However, because the Postal Service's relationships with third parties that may have a proprietary interest in protected materials often continue beyond ten years or decades, the Postal Service intends to oppose requests for disclosure of these materials pursuant to 39 C.F.R. § 3011.401(b-c).

(8) Any other relevant factors or reasons to support the application.

None.

Conclusion

For the reasons discussed in this application, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.