

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

Section 407 Proceeding

Docket No. IM2018-1

NOTICE OF POSTING OF VIEWS

(Issued November 7, 2018)

Consistent with 39 U.S.C. § 407(c), the Commission provided views to the Secretary of State on whether certain proposals for the October 2018 Universal Postal Union Postal Operations Council session are consistent with the standards and criteria for modern rate regulation established by the Commission under 39 U.S.C. § 3622. Consistent with 39 C.F.R. § 3017.3(b), these views have been posted on the Commission's website in Docket No. IM2018-1:¹

Commission views dated October 12, 2018.

Stacy L. Ruble
Secretary

¹ In Order No. 2960, the Commission stated, “[a]s indicated in section 3017.3(b), the Commission intends to post its views in the docket with which it is associated after conclusion of deliberations on a related treaty, convention, or amendment.” Docket No. RM2015-14, Order Adopting Final Rules on Procedures Related to Commission Views, December 30, 2015, at 29 (Order No. 2960).

Title of Document
Commission's views October 12, 2018.

Docket No. IM2018-1

Attachment B

File of Document



POSTAL REGULATORY COMMISSION
Washington, DC 20268-0001

Office of the Chairman

October 12, 2018

VIA U.S. Mail AND EMAIL

The Honorable Michael R. Pompeo
Secretary of State
U.S. Department of State
2201 C Street NW, 7th Floor
Washington, DC 20520

Dear Mr. Secretary:

In accordance with 39 U.S.C. § 407(c)(1), I am writing to provide you with the Postal Regulatory Commission's (Commission) views with respect to the consistency of proposals to amend rates or classifications for market dominant products at the October 2018 Universal Postal Union (UPU) Postal Operations Council (POC) session with the standards and criteria established by the Commission under 39 U.S.C. § 3622.

The Commission has reviewed all POC proposals available on the UPU website as of October 11, 2018, and has identified three proposals that, if adopted, would potentially represent a rate change for a market dominant product. These proposals are in document POC C 2 2018.2-Doc 7.Rev 1, Annexes three, six, and seven.

POC C 2 2018.2-Doc 7.Rev 1, Annex 3

This proposal is a reservation from Russia to Final Protocol Article XXII, IBRS accounting charges, of the Regulations of the UPU Convention (Regulations). If adopted, Russia could charge the designated operator of origin for the return of all International Business Reply Service (IBRS) items. Under the Regulations, charges do not apply at or under a threshold of 1,000 items. As reservations are reciprocal, if adopted, the Postal Service could charge Russia for the return of all of their IBRS items, irrespective of volume.

The proposal is consistent with the standards and criteria established by the Commission under 39 U.S.C. § 3622. The Commission finds that this reservation, if adopted and implemented by the Postal Service, would promote the Postal Service's financial health. Because the reservation would allow the Postal Service to charge for the return of IBRS items to Russia at or below the 1,000-item threshold, the Postal Service could potentially collect additional revenue and increase contribution. Consequently, this proposal would support financial stability (Objective 5); promote the Postal Service's efforts to enhance mail security and deter terrorism (Objective 7); and establish reasonable rates that do not threaten the financial integrity of the Postal Service (Objective 8).

As a practical matter, because no bilateral IBRS mail flows exceed the minimum threshold, the Postal Service does not report revenue for market dominant IBRS items.¹ Therefore, although there is potential for the proposal to have a positive financial impact on the Postal Service, in actuality, it is unlikely that this proposal would impact the Postal Service financially.

¹ See Docket No. ACR2012, Responses of the United States Postal Service to Commission Requests for Additional Information in FY 2012 Annual Compliance Determination June 26, 2013, question 1. Additionally, the Postal Service does not report IBRS costs in the International Cost and Revenue Analysis report. See *id.*; Docket No. ACR2011, Responses of the United States Postal Service to Questions 1-18 and 26-27 of Chairman's Information Request No. 2, February 7, 2012, question 6(b).

POC C 2 2018.2-Doc 7.Rev 1, Annex 6 and Annex 7

These proposals from Denmark and Switzerland amend Article 30-113, Request for payment specific to bulk mail, and Article 17-107, Specific provisions applicable to each category of items, respectively, of the Regulations. Both proposals expand the definition of bulk mail for which designated operators in the country of destination can charge bulk mail rates. The proposals would permit designated operators in the country of destination to charge bulk mail rates if “the receipt, in a period of four weeks, of mail items whose total weight is composed of at least 90% bulky (E) or small packet (E) letter-post items, in the case of items received from countries with terminal dues accounting and billing on the basis of a rate per kilogramme.”

The Commission acknowledges that these proposals provide an avenue to increase revenue from E format items. However, the Commission has insufficient information to determine whether these proposals are consistent with the standards and criteria established by the Commission under 39 U.S.C. § 3622 for the following reasons. In order to analyze these proposals, the Commission would need to know: the anticipated volume of Inbound Letter Post mailpieces for which the Postal Service could charge bulk mail rates under this proposal; the average weight of the individual bulk mailings; if the Postal Service currently has procedures in place to identify and account for bulk mail; if the Postal Service is utilizing such operational and accounting procedures; and, if the Postal Service does not currently identify and account for bulk Inbound Letter Post mailpieces, the cost of doing so.

The Commission will continue to review any additional POC proposals on the UPU website that may require a view from the Commission under 39 U.S.C. § 407(c). In the event that there are such proposals, the Commission will send you its additional views in a timely manner.

Secretary Pompeo
October 12, 2018
Page 4 of 4

With best wishes, I am

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'R. Taub', with a long horizontal line extending to the right.

Robert G. Taub
Chairman

cc: Kevin E. Moley
Assistant Secretary for International Organization Affairs
Bureau of International Organization Affairs

Nerissa Cook
Deputy Assistant Secretary
Bureau of International Organization Affairs

Stephen Anderson
Director
Office of Specialized and Technical Agencies
Bureau of International Organization Affairs

Joseph Murphy
Chief, International Postal Policy Unit
Office of Specialized and Technical Agencies
Bureau of International Organization Affairs