

POSTAL SERVICE

Pricing and Requirement Changes for Competitive Products

AGENCY: Postal Service™.

ACTION: Final rule.

SUMMARY: The Postal Service is revising *Mailing Standards of the United States Postal Service*, Domestic Mail Manual (DMM®) to reflect changes to the prices and standards for the following competitive products, now referred to as Shipping Services:

- Express Mail®
- Priority Mail®
- Parcel Select®
- Parcel Return Service®

EFFECTIVE DATE: May 12, 2008.

FOR FURTHER INFORMATION CONTACT: Bert Olsen at 202-268-7276 or Monica Grein at 202-268-8411.

SUPPLEMENTARY INFORMATION: The Postal Accountability and Enhancement Act of 2006 (PAEA) gives the Postal Service increased flexibility in pricing, product enhancements, and product introductions. On March 4, 2008, the Governors of the Postal Service established new prices and product features for Shipping Services. This *Federal Register* notice describes these price and product changes and the mailing standards changes needed to implement them.

Express Mail

We are moving from Express Mail prices based only on weight to zone-based prices based on weight and distance, consistent with standard industry practices. On average, Express Mail prices will increase 3 percent with larger increases for heavier pieces and pieces destined for Zones 5 through 8 (mail transported more than 600 miles).

Express Mail commercial base prices are 3 percent lower than retail prices and will be available to customers who: use Express Mail Corporate Accounts (EMCA), including Federal Agency Accounts or Click-N-Ship®; or are registered end-users of PC Postage™ (e.g. Stamps.com®, endicia™, and Pitney Bowes) using shipping labels.

To encourage growth, commercial volume rebates will be provided to customers whose account volume exceeds a minimum threshold, and who either use an Express Mail Corporate Account (EMCA), including Federal Agency Accounts or are registered end-users of PC-Postage (e.g. Stamps.com, endicia, and Pitney Bowes) using shipping labels. The rebate will be credited to each qualifying mail owner's account each postal quarter.

These rebates are intended for end users; therefore, third-party consolidators and postage resellers are not eligible. We will work with other vendors to authorize additional systems to expand the availability of commercial volume prices.

The new Express Mail flat-rate envelope price is \$16.50. We will be eliminating the separate price schedules for Post Office-to-Post Office and Custom Designed Services and have renamed "Post Office-to-Post Office" as "Hold for Pickup." We will continue to notify customers when the first delivery attempt of an Express Mail piece is made, and we will provide a second notice on the third day. However, we will no longer make a second delivery attempt unless requested by the customer. Express Mail Same Day Airport Service will be eliminated.

Priority Mail

Priority Mail retail prices are increasing by 6 percent, on average, with individual prices increasing from zero to 10 percent. The price increases tend to be larger for relatively heavy pieces and for pieces that are transported relatively long distances.

Priority Mail commercial base prices are lower than retail prices and will be available to: customers who use Click-N-Ship; registered end-users of PC-Postage products when using a shipping label; and customers using permit imprint with electronic confirmation services and effective October 1, 2008, a barcode under 708.5.0 for the ZIP Code of the delivery address.

Parcel Select

On average Parcel Select prices are increasing by 5.7%. The new prices are intended to encourage Parcel Select shippers to enter parcels at destination delivery units (DDU).

To encourage growth and continued use of Parcel Select, we will be offering annual rebates to large-volume shippers. The rebates will be available to shippers whose total annual Parcel Select postage is at least \$5 million and whose Parcel Select volume increases over their total volume for the previous year. These shippers will receive rebates on all DDU volumes. Customers whose Parcel Select volume grows by more than 10% will be eligible for an additional rebate applied only to qualified incremental DDU volume.

Parcel Return Service

Parcel Return Service is the Postal Service's bulk return product. It consists of returns to the delivery unit (RDU) and returns to the BMC (RBMC). The overall average price increase is 2.2 percent. However, the average RDU price is significantly reduced. Currently, a single RDU price is charged regardless of the weight of the piece. In the new structure, the RDU price will vary by weight.

The Postal Service adopts the following changes to *Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM)*, incorporated by reference in the *Code of Federal Regulations*. See 39 CFR 111.1.

List of Subjects in 39 CFR Part 111

Administrative practice and procedure, Postal Service.

Accordingly, 39 CFR Part 111 is amended as follows:

PART 111 – [AMENDED]

1. The authority citation for 39 CFR Part 111 continues to read as follows:

Authority: 5 U.S.C. 552(a); 39 U.S.C. 101, 401, 403, 404, 414, 416, 3001–3011, 3201–3219, 3403–3406, 3621, 3622, 3626, 3632, 3633, and 5001.

2. Revise the following sections of *Mailing Standards of the United States Postal Service, Domestic Mail Manual (DMM)* as follows:

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100 Retail Letters, Cards, Flats, and Parcels

* * * * *

110 Express Mail

[Revise heading of 113, Rates and Eligibility, to “Prices and Eligibility” as follows:]

113 Prices and Eligibility

[Revise the heading of 1.0; Express Mail Rates and Fees, to “Express Mail Prices and Fees” as follows:]

1.0 Express Mail Prices and Fees

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[Revise the heading of 1.1, Rates Charged Per Piece, to “Prices Charged Per Piece” as follows:]

1.1 Prices Charged per Piece

[Revise the first sentence as follows:]

Express Mail postage is charged for each addressed piece according to its weight and zone.***

[Revise the heading of 1.2; Express Mail Rate Application, to “Price Application” as follows:]

1.2 Price Application

[Revise text of 1.2 by adding a new last sentence.]

***Except for the Express Mail flat-rate envelope, Express Mail prices are based on weight and zone.

[Revise Exhibit 1.3 by revising the heading and inserting a new price list.]

Exhibit 1.3 Express Mail Prices—Retail Letters, Flats, & Parcels

[Insert new price list.]

1.4 Flat-Rate Envelope

[Revise text of 1.4 as follows:]

Material mailed in the USPS-provided Express Mail flat-rate envelope is charged \$16.50 (retail) or \$16.00 (commercial), regardless of the actual weight of the piece or its destination. Only USPS-produced flat-rate envelopes are eligible for the flat-rate envelope price.

[Renumber current 1.5 through 1.8 as new 1.7 through 1.10, and add new 1.5 and 1.6 as follows:]

1.5 Commercial Base Prices

Express Mail commercial base prices are 3 percent below retail prices. These prices apply to:

- a. Customers who use an Express Mail Corporate Account (EMCA), including Federal Agency Accounts.
- b. Click-N-Ship customers.
- c. Registered end-users of PC-Postage products when using a shipping label.

1.6 Commercial Volume Rebates

Quarterly rebates will be provided to customers whose account volume exceeds a minimum threshold and who either use an Express Mail Corporate Account (EMCA), including Federal Agency Accounts, or are registered end-users of PC-Postage products when using a shipping label. These rebates are intended for end users; third-party consolidators and postage resellers are not eligible. Rebates are available for Express Mail volume mailed beginning July 1, 2008. Rebates are calculated based on volume of Express Mail mailed in a postal quarter. The quarterly rebate is credited to each qualifying mail owner's account.

See Exhibit 1.6, *Commercial Volume Rebates*.

[Insert new Exhibit 1.6 as follows:]

Exhibit 1.6 Commercial Volume Rebates

Minimum Quarterly Volume	Additional Percentage off Retail Prices (Rebate)
125	2.0%
438	4.5%
938	7.0%

If the rebate expected is not received within 90 days after the close of the next postal quarter, an appeal may be made to manager, Mailing Standards.

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1.8 Pickup on Demand

1.8.1 Pickup on Demand Fee

[Revise the first sentence of renumbered 1.8.1 to reflect the new price:]

Per occurrence: \$14.75. ***

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1.9 Delivery Stop

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1.9.2 Fee for Delivery Stops

[Revise the text of renumbered 1.9.2 to reflect the new price.]

Custom Designed Service only, each: \$14.75.

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2.0 Basic Eligibility Standards for Express Mail

2.1 Definition of Express Mail

[Revise text of 2.1 to as follows:]

Express Mail is an expedited service for shipping any mailable matter, with guaranteed delivery, subject to the standards below. Express Mail International is available between the United States and most foreign countries (see the International Mail Manual).

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4.0 Service Features of Express Mail

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[Replace “Express Mail Next Day Service” with “Express Mail Next Day Delivery” and “Next Day Service” with “Next Day Delivery” throughout 4.2.]

4.2 Express Mail Next Day Delivery

[Revise heading of 4.2.1 as follows:]

4.2.1 Availability

[Revise text of 4.2.1 as follows:]

Express Mail Next Day Delivery is available at designated USPS facilities, designated Express Mail collection boxes, or through Carrier Pickup or Pickup on Demand service, for overnight service to designated destination 3-digit ZIP Code delivery areas, facilities, or locations (Post Office to Addressee Service). Items are delivered to an addressee within the designated delivery area of the destination facility by noon or 3 p.m. on the next day. If delivery is not made, the addressee is notified, a second notice is left on the third day, and a second delivery is attempted upon customer request. For additional options, see 4.2.4, *Hold for Pickup* and 4.4, *Custom Designed*.

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[Revise heading of 4.2.4 as follows:]

4.2.4 Hold for Pickup

[Revise text by replacing “Post Office to Post Office” with “Hold for Pickup” and revising the reference as follows:]

Under Hold for Pickup service, items presented under 4.2.1, *Availability*, are available for claim by the addressee at the destination facility by 10 a.m., 12 p.m., or 3 p.m. of the next day the destination office is open for retail business.

[Delete 4.2.5, Post Office to Addressee and renumber current 4.2.6 as 4.2.5.]

[Revise heading of new 4.2.5 from Express Mail Next Day Service Delivery Refunds, to “Express Mail Next Day Delivery Refunds”.]

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[Replace “Express Mail Second Day Service” with “Express Mail Second Day Delivery” throughout 4.3.]

4.3 Express Mail Second Day Delivery

4.3.1 Availability

[Revise text of 4.3.1 as follows:]

Express Mail Second Day Delivery is available to any 3-digit or 5-digit ZIP Code destination not listed in the Next Day Delivery directory mentioned in 4.2.2 (Post Office to Addressee Service). Items are delivered to an addressee within the designated delivery area of the destination facility by noon or 3 p.m. on the second delivery day. If delivery is not made, the addressee is notified, a second notice is left on the third day, and a second delivery is attempted upon customer request. For additional options, see 4.3.4, *Hold for Pickup* and 4.4, *Custom Designed*.

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[Revise heading of 4.3.4 as follows:]

4.3.4 Hold for Pickup

[Revise text by replacing “Post Office to Post Office” with “Hold for Pickup Service”:]

Under Hold for Pickup Service, items presented under 4.3.3 are available for pick up by the addressee at the destination facility by 10 a.m., 12 p.m., or 3 p.m. of the second delivery day that the destination office is open for retail business.

[Delete 4.3.5, Post Office to Addressee, and renumber current 4.3.6 as 4.3.5.]

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[Delete 4.4, Express Mail Same Day Airport Service (Suspended) in its entirety, and renumber current 4.5 through 4.7 as new 4.4 through 4.6.]

[Revise heading of renumbered 4.4 as follows:]

4.4 Custom Designed

4.4.1 Availability

[Revise text of 4.4.1 as follows:]

A service agreement is required for Custom Designed mailings. An Express Mail Manifesting agreement is required for all manifested Express mail items accepted under 705.2.6, *Express Mail Manifesting Agreements*.

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[Delete 4.5.4 and renumber current 4.5.5 through 4.5.10 as new 4.5.4 through 4.5.9.]

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114 Postage Payment Methods

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2.0 Corporate Accounts

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[Renumber current 2.4 through 2.6 as new 2.6 through 2.8 and insert new 2.4 and 2.5 as follows:]

2.4 Commercial Base Prices

Customers who use an Express Mail Corporate Account (EMCA) or a Federal Agency Account pay the commercial base prices (113.1.5).

2.5 Commercial Volume Rebates

Customers who use an EMCA or a Federal Agency Account and whose volume exceeds a minimum threshold will receive a volume-based incentive in the form of a quarterly rebate (113.1.6).

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115 Mail Preparation

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2.0 Express Mail Next Day and Second Day

2.1 Mailing Label

[Revise the first sentence to replace “Post Office to Post Office” with “Hold for Pickup”.]

For each Express Mail item, the mailer must complete a mailing label—either Label 11-A or Label 11-E for Hold for Pickup service, or Label 11-B or Label 11-F for Post Office to Addressee service.***

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[Delete 4.0, Express Mail Same Day Airport Service (Suspended) and renumber current 5.0 as new 4.0.]

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116 Deposit

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[Delete 2.0, Express Mail Same Day Airport Service (Suspended) and renumber current 3.0 through 5.0 as new 2.0 through 4.0.]

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120 Priority Mail

[Revise heading of 123, Rates and Eligibility, to “Prices and Eligibility”.]

123 Prices and Eligibility

[Revise heading of 1.0 to replace “Rates” with “Prices”.]

1.0 Priority Mail Prices and Fees

[Revise heading of 1.1 to replace “Rates” with “Prices”.]

1.1 Price Application

[Revise text by replacing “rate” with “price” and deleting the last sentence.]

Except under 1.2, 1.3, and 1.4, Priority Mail prices are charged per pound; any fraction of a pound is rounded up to the next whole pound. For example, if a piece weighs 1.2 pounds, the weight (postage) increment is 2 pounds. The minimum postage amount per addressed piece is the 1-pound price. The Priority Mail price up to 1 pound is based on weight only; prices for pieces weighing more than 1 pound are based on weight and zone. Other charges may apply.

[Add new 1.1.1 and 1.1.2 to separate Retail Prices and Commercial Base Prices as follows:]

1.1.1 Retail Prices

See Exhibit 1.2a, *Priority Mail Prices – Retail*.

1.1.2 Commercial Base Prices

See Exhibit 1.2b, *Priority Mail Prices – Commercial*. The commercial base prices are available for:

- a. Click-N-Ship customers.
- b. Registered end-users of PC-Postage products when using a shipping label.
- c. Customers using permit imprint with electronic confirmation services and effective October 1, 2008, a barcode under 708.5.0 for the ZIP Code of the delivery address.

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[Renumber Exhibit 1.2 as 1.2a and revise title as follows:]

Exhibit 1.2a Priority Mail Retail

[Insert new Price List.]

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*[Insert new Exhibit 1.2b, **Priority Mail Commercial**.]*

[Insert new Price List.]

[Revise heading of 1.3 by changing “Rate” to “Price” as follows:]

1.3 Dimensional Weight Price for Low-Density Parcels to Zones 5-8

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1.3.2 Determining Dimensional Weight for Nonrectangular Parcels

Follow these steps to determine the dimensional weight for a nonrectangular parcel:

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[Revise item e by replacing “parcel” with “customer” and “rate” with “price”:]
 e. If the dimensional weight exceeds 70 pounds, the customer pays the 70-pound price.

[Revise heading of 1.4 as follows:]

1.4 Flat-Rate Envelope and Boxes

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[Revise heading of 1.4.1 as follows:]

1.4.1 Flat-Rate Envelope—Price and Eligibility

[Revise text by replacing “rate” with “price,” and adding reference to commercial-based prices.]

The retail price for USPS-produced Priority Mail flat-rate envelope is \$4.80 and the commercial base price is \$4.75, regardless of the actual weight of the piece or its destination. Only USPS-produced flat-rate envelopes are eligible for the flat-rate envelope price.

[Revise heading of 1.4.2 as follows:]

1.4.2 Flat-Rate Boxes—Price and Eligibility

[Revise item a, to update the price of the flat-rate box and revise item a through item c to add reference to the commercial prices.]

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- a. \$9.80 (retail) or \$9.30 (commercial) for material sent in Priority Mail regular flat-rate boxes (FRB-1 or FRB-2) to domestic and APO/FPO addresses.
- b. \$10.95 (retail) or \$10.50 (commercial) for material sent in a Priority Mail large flat-rate box to APO/FPO destination addresses (see 703.2).
- c. \$12.95 (retail) or \$12.50 (commercial) for material sent in a Priority Mail large flat-rate box to domestic destinations.

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[Revise heading of 1.5 by replacing “Rates” with “Prices”.]

1.5 Prices for Keys and Identification Devices

[Revise table by replacing “Rate” with “Price” and updating prices.]

WEIGHT NOT OVER (pounds)	Price¹
1 pound	\$5.52
2 pounds²	\$6.32

[Revise Footnote 1 by replacing “Rates” with “Prices”.]

1. Prices shown include \$0.72 fee.***

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1.7 Pickup on Demand Fee

[Revise text of 1.7 as follows:]

Per occurrence: \$14.75. May be combined with Express Mail and Package Services pickups (see 507.5.0, *Pickup on Demand Service*).

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[Revise section heading by changing “Discount” to “Commercial” as follows:]

400 Commercial Parcels

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[Revise section heading by changing “Discount Parcels – Parcel Post” to “Parcel Select” as follows:]

450 Parcel Select

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456 Enter and Deposit

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2.0 Parcel Select

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[Renumber current 2.2.4 and 2.2.5 as 2.2.6 and 2.2.7 and add new 2.2.4, Exhibit 2.2.4, 2.2.5, and Exhibit 2.2.5 as follows:]

2.2.4 Loyalty Rebates

Beginning June 1 through August 1, 2009 and each June 1 through August 1 period thereafter, shippers may apply to the manager, Business Mailer Support (see 608.8), for Loyalty Rebates based on their level of Parcel Select activity during the most recent twelve-month (June 1 –May 31) period.

- To qualify for the Loyalty Rebates, shippers must meet the following:
- a. Total annual Parcel Select postage must be in excess of \$5 million during the most recent twelve-month (June 1 – May 31) period.

- b. Total Parcel Select volume must have increased during the most recent twelve-month (June 1 – May 31) period, compared with the previous twelve-month (June 1 – May 31) period.
- c. Use eVS as of May 31, 2009.
- d. Identify both the mail owner and mailing agent within the electronic manifest.

For shippers meeting all of the eligibility criteria, the percentage level of their Loyalty Rebate is based on their total Parcel Select postage during the most recent twelve-month (June 1 – May 31) period, as shown in Exhibit 2.2.4.

The Loyalty Rebate is applied to all DDU volume. The Loyalty Rebate amount is calculated as the average postage per DDU piece over the twelve-month period for that shipper, times the volume of qualified DDU volume over the twelve-month period for that shipper, times the applicable percentage shown in Exhibit 2.2.4.

Exhibit 2.2.4 Loyalty Rebate

Annual Total Parcel Select Postage	\$5M	\$25M	\$50M	\$100M	\$300M	\$500M
Rebate on DDU Volume	0.25%	0.50%	0.75%	1.00%	1.25%	1.50%

2.2.5 Growth Rebates

Beginning June 1, 2009, and each June 1 thereafter, shippers who qualify for a Loyalty Rebate and who increase their Parcel Select volumes in the most recent twelve-month (June 1 – May 31) period (compared with the previous twelve-month period) by more than 10 percent will qualify for a Growth Rebate. (Shippers who had zero Parcel Select volume in the previous twelve-month period will not be eligible for a Growth Rebate.)

For shippers meeting all of the eligibility criteria, the percentage level of the Growth Rebate is based on their growth percentage and their total Parcel Select revenue in the twelve-month period, as shown in Exhibit 2.2.5.

The Growth Rebate is applied only to qualified incremental DDU volume. The Growth Rebate amount will be calculated by multiplying the difference between the previous twelve-month DDU volume and the most recent twelve-month DDU volume by the average postage per DDU piece over the current twelve-month period, times the applicable percentage shown in Exhibit 2.2.5.

Exhibit 2.2.5 Growth Rebate

Total Parcel Select	>\$5M	>\$25M	>\$50M	>\$100M	>\$300M	>\$500M
Postage to Qualify						
Total Parcel Select	Rebate on Qualified Incremental DDU Volume					
Annual Growth Rate						
>10%	2%	4%	6%	8%	10%	10%
>20%	4%	6%	8%	10%	12%	12%
>30%	6%	8%	10%	12%	14%	14%

At the discretion of the USPS, volumes from the following 3-digit ZIP Codes may be exempt from the Growth Rebates due to delivery conditions: 100-102, 104, 107, 108, 111-113. Growth Rebates may not apply to volume growth as a result of mergers or acquisitions. Exclusions will be administered on a case-by-case basis.

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500 Additional Services

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507 Mailer Services

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13.0 Parcel Return Service

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[Revise heading by replacing "Rates" with "Prices"]

13.3 Prices**13.3.1 Parcel Return Service – Return Delivery Unit**

[Revise text in 3.1 as follows:]

Return Delivery Unit parcel prices are based on weight as identified in Exhibit 13.3.2 and 13.3.3. Parcels that measure more than 108 inches but not more than

130 inches in combined length and girth must pay the oversized price. RDU postage will be determined by the average weight of pieces retrieved from the RBMC or through a reverse manifest service agreement.

[Revise the heading of Exhibit 13.3.2 to read as follows:]

Exhibit 13.3.2 Parcel Return Service-Return Machinable

[Insert chart]

[Revise the heading of Exhibit 13.3.3 to read as follows:]

Exhibit 13.3.3 Parcel Return Service-Nonmachinable

[Insert chart]

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700 Special Standards

703 Nonprofit Standard Mail and Other Unique Eligibility

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2.0 Overseas Military Mail

2.1 Basic Standards

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2.1.2 APO/FPO Priority Mail Flat-Rate Boxes

[Revise text by adding reference to commercial prices at the end of the second paragraph.]

***See Exhibit 1.2b, *Priority Mail Prices – Commercial*, for the commercial base price.

We will publish an appropriate amendment to 39 CFR 111.3.

Neva R. Watson,
Attorney, Legislative.

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