

II. Background

The Notice states that Governors' Decision No. 09-15 established prices and classifications not of general applicability for Inbound Air Parcel Post at UPU Rates on November 16, 2009. *Id.* at 1. The rates authorized by Governors' Decision No. 09-15 when there is no contractual relationship with the tendering postal operator are the highest possible inward land rates that the United States is eligible for under the parcel post regulations. *Id.* at 2. Air parcels comprise inbound parcels eligible to receive transportation by air rather than surface. *Id.*, Attachment 2, at 1.

In the Postal Service's Request in Docket Nos. MC2010-11 and CP2010-11, it explains the process for determining Inbound Air Parcel Post at UPU Rates. In its Request, the Postal Service indicates that the United States receives both air and surface parcels from foreign postal administrations which compensate the Postal Service for delivery of these parcels in the United States. Request at 2. It maintains that it has negotiated separate agreements for parcel rates with certain foreign posts, but most compensate it at the United States default rates for inbound parcel delivery. *Id.* Payments between postal administrations for handling and delivering parcel post are referred to as inward land rates. The Postal Service notes that inward land rates are set according to formulas in the UPU Parcel Post Regulations which constitute international law. *Id.* More specifically, the UPU Postal Operations Council establishes inward land rates.³ Such rates are based on a percentage of each member's inward land rate in 2004. *Id.* at 3. UPU members may qualify for percentage "bonuses" to their base rate based upon their provision of certain value-added services.⁴ *Id.* The Postal Service states it is responsible for gathering information that the UPU Postal Operations Council uses to calculate the rates, including completion of a questionnaire on service bonus eligibility and submission of annual inflation information from the Consumer Price Index for All Urban Consumers. *Id.* Based on this and similar information from the member posts, the UPU International Bureau publishes an annual notice establishing

³ The UPU Postal Operations Council is a designated body of the UPU which is responsible for rate setting.

⁴ The Postal Service states that services such as "track and trace, home delivery, published delivery standards, and use of a common inquiry system" qualify UPU members for bonuses. *Id.* Members may also seek an inflation-related adjustment to the base rate which is capped at 5 percent per year.

the postal administration's parcel rates for the following year. *Id.*

The Postal Service states that because of the unique mechanism for setting inward land rates, it chose to establish rates for inbound air parcels by reference to the Universal Postal Convention. *Id.*

In Order No. 362, the Commission approved the addition of Inbound Air Parcel Post at UPU Rates to the competitive product list.⁵

The Postal Service states in its Notice that the rates in its filing comport with the Governors' Decision are "the highest possible inward land rates for which the Postal Service was eligible based on inflation increases and other factors." Notice at 2-3.

The Postal Service asserts that its filing demonstrates compliance with 39 U.S.C. 3633. *Id.* at 3.

III. Notice of Filing

The Commission establishes Docket No. CP2011-27 for consideration of matters related to the issues identified in the Postal Service's Notice.

Interested persons may submit comments on whether the Postal Service's filing is consistent with the policies of 39 U.S.C. 3632 or 3633, and 39 CFR part 3015. Comments are due no later than November 18, 2010. The public portions of these filings can be accessed via the Commission's Web site (<http://www.prc.gov>).

The Commission appoints Paul L. Harrington as Public Representative in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. CP2011-27 for consideration of the issues raised in this docket.

2. Comments by interested persons in this proceeding are due no later than November 18, 2010.

3. Pursuant to 39 U.S.C. 505, Paul L. Harrington is appointed to serve as officer of the Commission (Public Representative) to represent the interest of the general public in this proceeding.

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

By the Commission.

Shoshana M. Grove,
Secretary.

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⁵ Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

RAILROAD RETIREMENT BOARD

2011 Railroad Experience Rating Proclamations, Monthly Compensation Base and Other Determinations

AGENCY: Railroad Retirement Board.

ACTION: Notice.

SUMMARY: Pursuant to section 8(c)(2) and section 12(r)(3) of the Railroad Unemployment Insurance Act (Act) (45 U.S.C. 358(c)(2) and 45 U.S.C. 362(r)(3), respectively), the Board gives notice of the following:

1. The balance to the credit of the Railroad Unemployment Insurance (RUI) Account, as of June 30, 2010, is \$109,226.81;
 2. The September 30, 2010, balance of any new loans to the RUI Account, including accrued interest, is \$47,377,543.22;
 3. The system compensation base is \$3,509,356,938.87 as of June 30, 2010;
 4. The cumulative system unallocated charge balance is (\$328,338,446.22) as of June 30, 2010;
 5. The pooled credit ratio for calendar year 2011 is zero;
 6. The pooled charged ratio for calendar year 2011 is zero;
 7. The surcharge rate for calendar year 2011 is 2.5 percent;
 8. The monthly compensation base under section 1(i) of the Act is \$1,330 for months in calendar year 2011;
 9. The amount described in sections 1(k) and 3 of the Act as "2.5 times the monthly compensation base" is \$3,325 for base year (calendar year) 2011;
 10. The amount described in section 4(a-2)(i)(A) of the Act as "2.5 times the monthly compensation base" is \$3,325 with respect to disqualifications ending in calendar year 2011;
 11. The amount described in section 2(c) of the Act as "an amount that bears the same ratio to \$775 as the monthly compensation base for that year as computed under section 1(i) of this Act bears to \$600" is \$1,718 for months in calendar year 2011;
 12. The maximum daily benefit rate under section 2(a)(3) of the Act is \$66 with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 2011.
- DATES:** The balance in notice (1) and the determinations made in notices (3) through (7) are based on data as of June 30, 2010. The balance in notice (2) is based on data as of September 30, 2010. The determinations made in notices (5) through (7) apply to the calculation, under section 8(a)(1)(C) of the Act, of employer contribution rates for 2011. The determinations made in notices (8) through (11) are effective January 1,

2011. The determination made in notice (12) is effective for registration periods beginning after June 30, 2011.

ADDRESSES: Secretary to the Board, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611-2092.

FOR FURTHER INFORMATION CONTACT:

Marla L. Huddleston, Bureau of the Actuary, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611-2092, telephone (312) 751-4779.

SUPPLEMENTARY INFORMATION: The RRB is required by section 8(c)(1) of the Railroad Unemployment Insurance Act (Act) (45 U.S.C. 358(c)(1)) as amended by Public Law 100-647, to proclaim by October 15 of each year certain system-wide factors used in calculating experience-based employer contribution rates for the following year. The RRB is further required by section 8(c)(2) of the Act (45 U.S.C. 358(c)(2)) to publish the amounts so determined and proclaimed. The RRB is required by section 12(r)(3) of the Act (45 U.S.C. 362(r)(3)) to publish by December 11, 2010, the computation of the calendar year 2011 monthly compensation base (section 1(i) of the Act) and amounts described in sections 1(k), 2(c), 3 and 4(a-2)(i)(A) of the Act which are related to changes in the monthly compensation base. Also, the RRB is required to publish, by June 11, 2011, the maximum daily benefit rate under section 2(a)(3) of the Act for days of unemployment and days of sickness in registration periods beginning after June 30, 2011.

Surcharge Rate

A surcharge is added in the calculation of each employer's contribution rate, subject to the applicable maximum rate, for a calendar year whenever the balance to the credit of the RUI Account on the preceding June 30 is less than the greater of \$100 million or the amount that bears the same ratio to \$100 million as the system compensation base for that June 30 bears to the system compensation base as of June 30, 1991. If the RUI Account balance is less than \$100 million (as indexed), but at least \$50 million (as indexed), the surcharge will be 1.5 percent. If the RUI Account balance is less than \$50 million (as indexed), but greater than zero, the surcharge will be 2.5 percent. The maximum surcharge of 3.5 percent applies if the RUI Account balance is less than zero.

The system compensation base as of June 30, 1991 was \$2,763,287,237.04. The system compensation base for June 30, 2010 was \$3,509,356,938.87. The ratio of \$3,509,356,938.87 to \$2,763,287,237.04 is 1.26999354. Multiplying 1.26999354 by \$100 million

yields \$126,999,354. Multiplying \$50 million by 1.26999354 produces \$63,499,677. The Account balance on June 30, 2010, was \$109,226.81.

Accordingly, the surcharge rate for calendar year 2011 is 2.5 percent.

Monthly Compensation Base

For years after 1988, section 1(i) of the Act contains a formula for determining the monthly compensation base. Under the prescribed formula, the monthly compensation base increases by approximately two-thirds of the cumulative growth in average national wages since 1984. The monthly compensation base for months in calendar year 2011 shall be equal to the greater of (a) \$600 or (b) \$600 $[1 + \{(A - 37,800)/56,700\}]$, where A equals the amount of the applicable base with respect to tier 1 taxes for 2011 under section 3231(e)(2) of the Internal Revenue Code of 1986. Section 1(i) further provides that if the amount so determined is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5.

The calendar year 2011 tier 1 tax base is \$106,800. Subtracting \$37,800 from \$106,800 produces \$69,000. Dividing \$69,000 by \$56,700 yields a ratio of 1.21693122. Adding one gives 2.21693122. Multiplying \$600 by the amount 2.21693122 produces the amount of \$1,330.16, which must then be rounded to \$1,330. Accordingly, the monthly compensation base is determined to be \$1,330 for months in calendar year 2011.

Amounts Related to Changes in Monthly Compensation Base

For years after 1988, sections 1(k), 3, 4(a-2)(i)(A) and 2(c) of the Act contain formulas for determining amounts related to the monthly compensation base.

Under section 1(k), remuneration earned from employment covered under the Act cannot be considered subsidiary remuneration if the employee's base year compensation is less than 2.5 times the monthly compensation base for months in such base year. Under section 3, an employee shall be a "qualified employee" if his/her base year compensation is not less than 2.5 times the monthly compensation base for months in such base year. Under section 4(a-2)(i)(A), an employee who leaves work voluntarily without good cause is disqualified from receiving unemployment benefits until he has been paid compensation of not less than 2.5 times the monthly compensation base for months in the calendar year in which the disqualification ends.

Multiplying 2.5 by the calendar year 2011 monthly compensation base of \$1,330 produces \$3,325. Accordingly, the amount determined under sections 1(k), 3 and 4(a-2)(i)(A) is \$3,325 for calendar year 2011.

Under section 2(c), the maximum amount of normal benefits paid for days of unemployment within a benefit year and the maximum amount of normal benefits paid for days of sickness within a benefit year shall not exceed an employee's compensation in the base year. In determining an employee's base year compensation, any money remuneration in a month not in excess of an amount that bears the same ratio to \$775 as the monthly compensation base for that year bears to \$600 shall be taken into account.

The calendar year 2011 monthly compensation base is \$1,330. The ratio of \$1,330 to \$600 is 2.21666667. Multiplying 2.21666667 by \$775 produces \$1,718. Accordingly, the amount determined under section 2(c) is \$1,718 for months in calendar year 2011.

Maximum Daily Benefit Rate

Section 2(a)(3) contains a formula for determining the maximum daily benefit rate for registration periods beginning after June 30, 1989, and after each June 30 thereafter. Legislation enacted on October 9, 1996, revised the formula for indexing maximum daily benefit rates. Under the prescribed formula, the maximum daily benefit rate increases by approximately two-thirds of the cumulative growth in average national wages since 1984. The maximum daily benefit rate for registration periods beginning after June 30, 2011, shall be equal to 5 percent of the monthly compensation base for the base year immediately preceding the beginning of the benefit year. Section 2(a)(3) further provides that if the amount so computed is not a multiple of \$1, it shall be rounded down to the nearest multiple of \$1.

The calendar year 2010 monthly compensation base is \$1,330. Multiplying \$1,330 by 0.05 yields \$66.50, which must then be rounded down to \$66. Accordingly, the maximum daily benefit rate for days of unemployment and days of sickness beginning in registration periods after June 30, 2011, is determined to be \$66.

Dated: November 4, 2010.

By authority of the Board.

Beatrice Ezerski,
Secretary to the Board.

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