

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

Before Commissioners:

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

Competitive Product Prices
Priority Mail
Priority Mail Contract 1

Docket No. MC2008-8

Competitive Product Prices
Priority Mail Contract 1 (MC2008-8)
Negotiated Service Agreement

Docket No. CP2008-26

NOTICE AND ORDER CONCERNING PRIORITY MAIL CONTRACT 1
NEGOTIATED SERVICE AGREEMENT

(Issued October 1, 2008)

I. INTRODUCTION

On September 23, 2008, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add the Priority Mail Contract 1 product to the competitive product list. The Postal Service asserts that the Priority Mail Contract 1 product is a competitive product “not of general applicability” within the

meaning of 39 U.S.C. 3632(b)(3). This Request has been assigned Docket No. MC2008-8.¹

The Postal Service contemporaneously filed a contract related to the proposed new product pursuant to 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. The contract is assigned Docket No. CP2008-26. The Postal Service represents that the contract fits within the proposed Mail Classification Schedule (MCS) language and is set to expire 2 years from the effective date unless renewed by mutual consent.

Request. The Request is filed pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* The Request incorporates (1) a redacted version of the Governors' Decision authorizing the new product; (2) a redacted version of the contract; (3) requested changes in the MCS product list; (4) submission of supporting material under seal; and (5) certification of compliance with 39 U.S.C. 3633(a).² Substantively, it requests that the Priority Mail Contract 1 product be added to the competitive product list. Request at 1-2. The Postal Service states the service to be provided under the contract will cover its attributable costs and make a positive contribution to coverage of institutional costs.³ The Postal Service also asserts that the contract will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. As a result, the Request contends there will be no issue of subsidization of competitive products by market dominant products. *Id.* at 1.

¹ Request of the United States Postal Service to Add Priority Mail Contract to Competitive Product List and Notice of Establishment of Rates and Class Not of General Applicability, September 23, 2008 (Request).

² Attachment A to the Request consists of the redacted Decision of the Governors of the United States Postal Service on Establishment of Rates and Class Not of General Applicability for Priority Mail Service (Governors' Decision No. 08-11). The Governors' Decision includes an attachment which is an analysis of the proposed Priority Mail Service Contract. Attachment B is the redacted version of the contract. Attachment C shows the requested changes in the MCS product list. Attachment D provides a statement of supporting justification for this Request. Attachment E provides the certification of compliance with 39 U.S.C. 3633(a).

³ See Attachment D which provides information on the impact of the product cost and states that Priority Mail is provided in a highly competitive market which affects the pricing of these products.

The Postal Service's filing includes a redacted version of the contract related to the proposed new product pursuant to 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. By its terms, the contract will expire 2 years from the effective date, which is proposed to be 1 day after the Commission approves the required addition of this product to the product list. The Postal Service maintains that the contract pricing and customer-specific information, as well as portions of the Board of Governors' Decision, should remain confidential.

In its Request, the Postal Service provides an analysis of the contract which, among other things, concludes that it is consistent with 39 U.S.C. 3633(a) and 39 CFR 3015.7(c). The analysis notes that the contract is not risk free, but concludes that the risks are manageable. See Attachment to Board of Governors' Decision.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2008-8 and CP2008-26 for consideration of the Request pertaining to the Priority Mail Contract 1 product and the related contract. 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. Comments are due no later than October 9, 2008. The public portions of these filings can be accessed via the Commission's website (www.prc.gov).

The Commission appoints Michael Ravnitzky to serve as Public Representative in the captioned filings.

It is Ordered:

1. The Commission establishes Docket Nos. MC2008-8 and CP2008-26 for consideration of the matters raised in each docket.
2. The Commission, pursuant to 39 U.S.C. 505, appoints Michael Ravnitzky 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 October 9, 2008.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary