

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

Competitive Product Prices
Global Plus 1D (CP2016-193)
Negotiated Service Agreements

Docket No. CP2017-251

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Docket No. CP2017-253

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Docket No. CP2017-254

Competitive Product Prices
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Docket No. CP2017-255

Competitive Product Prices
Global Plus 1D (CP2016-193)
Negotiated Service Agreements

Docket No. CP2017-256

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF
THE UNITED STATES POSTAL SERVICE TO ADD FUNCTIONALLY EQUIVALENT
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENTS

(August 11, 2017)

INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.¹ In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to have

¹ Notice Initiating Dockets for Recent Postal Service Negotiated Service Agreement Filings, August 4, 2017.

a contract included within the Global Plus 1D product on the grounds of functional equivalence to a previously approved baseline agreement.²

Previously the Commission authorized the addition of the Global Plus 1D product to the competitive product list and determined that the Global Plus 1D contract filed in Docket No. CP2016-193 should be included within the product.³ The Commission determined that individual Global Plus 1D contracts may be included in the Global Plus 1D product if they are functionally equivalent to the Global Plus 1D baseline agreement and meet the requirements of 39 U.S.C. § 3633. Notice at 2.

Customers for Global Plus 1D contracts are Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via International Priority Airmail (IPA), International Surface Air Lift (ISAL), Priority Mail Express International, Priority Mail International, and/or Commercial ePacket service. *Id.* at 4.

The Global Plus 1D contracts described in these dockets are scheduled to become effective on August 20, 2017. *Id.* at 3. If the effective date of the agreement is the first of the month, the agreement that is the subject of this docket is set to expire one year after its effective date. If the effective date of the agreement is not the first of the month, the agreement is set to expire on the last day of the month in which the effective date falls in the year subsequent to the effective date. *Id.*

DISCUSSION

Functional Equivalence. In this proceeding, the Postal Service asserts that the “contract under consideration is substantially similar to the Global Plus 1D baseline contracts filed in Docket No. CP2016-193.” Notice at 3. The Postal Service explains that the contracts share similar cost and market characteristics. *Id.*

The Postal Service addresses differences between this contract and the baseline contracts. The differences revisions to several articles and annexes.⁴ However, the

² Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 3, 2017 (Notice).

³ See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket No. CP2016-193, June 29, 2016.

⁴ See Notices at page 5-6.

Postal Service “does not consider these specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id.* at 6. It, therefore, asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket No. CP2016-193. *Id.*

The Public Representative agrees that these and other differences do not alter the Global Plus 1D contract. Moreover, a review of the Postal Service’s Requests, Statements of Supporting Justification (Attachment 3), contract agreements, and supporting financial models filed separately under seal reveals that the Global Plus 1D contracts should be considered functionally equivalent to the contract subject to Docket No. CP2016-193, which serves as the baseline agreements for comparison under the Global Plus 1D grouping.⁵ .

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The Postal Service states that these Global Plus 1D contracts “fits within the parameters outlined by the Governors’ Decisions establishing and authorizing the rates for Global Plus 1D agreements.” *Id.* at 5. The financial models accompanying the Postal Service’s Request indicates that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases, which have satisfied 39 U.S.C. § 3633. These contracts, therefore, also satisfy 39 U.S.C. § 3633.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

⁵ See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. CP2016-193, June 29, 2016.

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