

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

Before Commissioners:

Robert G. Taub, Chairman;
Mark Acton, Vice Chairman;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-247
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-248
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-251
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-252
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-253
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-254
Competitive Product Prices Global Plus 1D (CP2016-193) Negotiated Service Agreements	Docket No. CP2017-255

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

Docket No. CP2017-256

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

Docket No. CP2017-257

ORDER APPROVING ADDITIONAL GLOBAL PLUS 1D
NEGOTIATED SERVICE AGREEMENTS AND CONDITIONALLY APPROVING
MODIFICATIONS

(Issued August 16, 2017)

I. INTRODUCTION

In the above-captioned dockets, the Postal Service seeks to include additional Global Plus 1D agreements (Agreement(s)) within the Global Plus 1D product. For the reasons discussed below, the Commission approves the Postal Service's requests.

II. BACKGROUND

Agreements under the Global Plus 1D product offer volume-based prices to Postal Qualified Wholesalers and other high-volume mailers that market mailing services to their end-use customers who ship mail and articles via any combination of the following: International Priority Airmail, International Surface Air Lift, Priority Mail Express International, Priority Mail International, and Commercial ePacket.

Between August 2, 2017, and August 4, 2017, in accordance with 39 C.F.R. § 3015.5, the Postal Service filed notices (Notice(s)) in the above-captioned dockets requesting the inclusion of additional Global Plus 1D agreements within the Global Plus 1D product, along with supporting documents.

For each request, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.¹

On August 8, 2017, Chairman's Information Request No. 1 was issued.² CHIR No. 1 sought to address discrepancies between the contracts filed with the Notices and the supporting workpapers. The Postal Service timely filed a response on August 10, 2017, stating that it plans to file modifications in these dockets to revise Annex 3 of the Agreements to be consistent with the workpapers.³ The Postal Service also requests that the Commission approve the Agreements despite the discrepancies. See Response to CHIR No. 1, Attachment 1 at 1-2.

III. COMMISSION ANALYSIS

The Commission's responsibilities in these cases are to ensure that the Agreements: (1) are functionally equivalent to the baseline agreement established for the Global Plus 1D product; and (2) satisfy the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. §§ 3015.5 and 3015.7).

Functional equivalence. In Order No. 3395, the Commission added the Global Plus 1D product to the competitive product list and designated a baseline agreement for

¹ See Docket No. CP2017-239, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 3, 2017; Docket No. CP2017-249, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 4, 2017; Docket No. CP2017-257, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 7, 2017.

² Docket No. CP2017-247, *et al.*, Chairman's Information Request No. 1 and Notice of Filing Under Seal, August 8, 2017 (CHIR No. 1).

³ Docket No. CP2017-247, *et al.*, Response of the United States Postal Service to Chairman's Information Request No. 1, with Portions Filed Under Seal, August 10, 2017, Attachment 1 at 1 (Response to CHIR No. 1).

assessing the functional equivalence of other agreements proposed for inclusion within the Global Plus 1D product.⁴

For each of the Agreements, the Commission has reviewed the Postal Service's reasons for asserting that the Agreement shares similar cost and market characteristics with the baseline agreement; meets the pricing formula and falls within the classification established in the Governors' Decision authorizing this product; and comports with 39 U.S.C. § 3633 and applicable Commission rules. It also has considered the Public Representatives' comments. The Commission concludes that the Agreements are each substantially similar to the baseline agreement and that the differences between them do not fundamentally alter either the service the Postal Service will provide under the Agreements or the structure of the Agreements. The Commission therefore finds that the Agreements may be included within the Global Plus 1D product.

Cost considerations. The Commission reviews each competitive product to ensure that it covers its attributable costs, does not cause market dominant products to subsidize competitive products as a whole, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by a product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, a product that covers its attributable costs is likely to comply with 39 U.S.C. § 3633(a).

The Commission has reviewed the Postal Service's filings, including supporting financial analyses provided under seal, and the Public Representatives' comments. Based on this review, the Commission finds that the Agreements should cover their attributable costs. The addition of the Agreements to the Global Plus 1D product will not cause cost coverage for the product to fall below 100 percent because, as the

⁴ Docket No. CP2016-193, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, June 29, 2016 (Order No. 3395).

Commission found in the FY 2016 Annual Compliance Determination (ACD), the product as a whole covers its attributable costs.⁵ Consequently, the Commission finds that the addition of the Agreements to the Global Plus 1D product should allow the product to continue to comply with 39 U.S.C. § 3633(a)(2). Because it finds that the addition of the Agreements to the Global Plus 1D product should allow the product to cover its attributable costs, the Commission finds that the addition of the Agreements to the product should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the addition of the Agreements to the Global Plus 1D product is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Agreements indicates they are consistent with section 3633(a). Regarding the Public Representative's concerns in Docket No. CP2017-257, the Commission urges the Postal Service to carefully monitor the implementation of that Agreement. See section IV.9, *infra*. The Commission will review the Agreements' cost coverage, the cost coverage of the Global Plus 1D product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the ACD to ensure that they continue to comply with 39 U.S.C. § 3633(a).

In Response to CHIR No. 1, the Postal Service indicates that it plans to file modifications to revise Annex 3 to be consistent with the workpapers. See Response to CHIR No. 1, Attachment 1 at 1. The Commission has reviewed the workpapers and concludes that the Agreements, if so modified, should continue to cover their attributable costs. The Commission therefore conditionally approves each of the forthcoming modifications if that modification is: (1) filed with 90 days of the date of this Order; (2) has an effective date no earlier than its date of filing; and (3) makes no changes to that Agreement other than a revision of Annex 3 to be consistent with the workpapers. Under those circumstances the Commission anticipates taking no further

⁵ Docket No. ACR2016, Annual Compliance Determination, March 28, 2017, at 78, 85-86.

action on such modifications in these dockets: the modifications will each be considered approved on the filing date of that modification. The Postal Service is reminded that, if any Agreement takes effect prior to the effective date of that modification, it may only offer the discounts listed in that Agreement until such time as that modification takes effect.

Other considerations. The Postal Service shall promptly notify the Commission should there be a change in the effective date of any of the Agreements. If any Agreement is terminated prior to the scheduled expiration date, the Postal Service shall promptly file notice of such termination with the Commission in the appropriate docket(s).

Section IV contains a list of the docket numbers associated with each Postal Service request, the title and date of the Postal Service's filing, the term of the agreement, and a brief summary of the comments received. The Agreements filed in the docket numbers listed in Section IV are included within the Global Plus 1D product.

IV. ADDITIONAL GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENTS APPROVED

1. *Docket No.:* CP2017-247; *Filing Title:* 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 2, 2017 (CP2017-247 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-247 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 10, 2017.⁶ No other comments were received. The Public Representative concludes that the Agreement is functionally

⁶ Docket No. CP2017-239, *et al.*, Public Representative Comments on Requests of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 10, 2017 (CP2017-247 PR Comments).

equivalent to the baseline agreement and should generate sufficient revenue to cover costs. See CP2017-247 PR Comments at 3-4.

2. *Docket No.:* CP2017-248; *Filing Title:* 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 2, 2017 (CP2017-248 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-248 Notice at 3. The agreement is set to expire August 31, 2018. *See id. Public Comments:* The Public Representative filed comments on August 10, 2017.⁷ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should generate sufficient revenue to cover costs. See CP2017-248 PR Comments at 3-4.

3. *Docket No.:* CP2017-251; *Filing Title:* 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 (CP2017-251 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-251 Notice at 3. The agreement is set to expire August 31, 2018. *See id. Public Comments:* The Public Representative filed comments on August 11, 2017.⁸ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. See CP2017-251 PR Comments at 3.

⁷ Docket No. CP2017-239, *et al.*, Public Representative Comments on Requests of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 10, 2017 (CP2017-248 PR Comments).

⁸ Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-251 PR Comments).

4. *Docket No.:* CP2017-252; *Filing Title:* 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 (CP2017-252 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-252 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 11, 2017.⁹ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. *See* CP2017-252 PR Comments at 3.

5. *Docket No.:* CP2017-253; *Filing Title:* 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 (CP2017-253 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-253 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 11, 2017.¹⁰ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. *See* CP2017-253 PR Comments at 3.

6. *Docket No.:* CP2017-254; *Filing Title:* 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,

⁹ Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-252 PR Comments).

¹⁰ Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-253 PR Comments).

August 3, 2017 (CP2017-254 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-254 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 11, 2017.¹¹ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. *See* CP2017-254 PR Comments at 3.

7. *Docket No.:* CP2017-255; *Filing Title:* 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 (CP2017-255 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-255 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 11, 2017.¹² No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. *See* CP2017-255 PR Comments at 3.

8. *Docket No.:* CP2017-256; *Filing Title:* 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 (CP2017-256 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-256 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The

¹¹ Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-254 PR Comments).

¹² Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-255 PR Comments).

Public Representative filed comments on August 11, 2017.¹³ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost. See CP2017-256 PR Comments at 3.

9. *Docket No.:* CP2017-257; *Filing Title:* 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 4, 2017 (CP2017-257 Notice). *Term:* The intended effective date of the agreement in the above-referenced docket is August 20, 2017. CP2017-257 Notice at 3. The agreement is set to expire August 31, 2018. *See id.* *Public Comments:* The Public Representative filed comments on August 15, 2017.¹⁴ No other comments were received. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should cover its cost, but states that he is uneasy with it. He urges the Commission "to carefully consider the distribution of the mailer profile to ensure compliance." See CP2017-257 PR Comments at 2-3.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Agreements filed in the docket numbers listed in section IV are included within the Global Plus 1D (CP2016-193) product. The revisions to the Mail Classification Schedule appears below the signature of this Order and are effective immediately.

¹³ Docket No. CP2017-251, *et al.*, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 11, 2017 (CP2017-256 PR Comments).

¹⁴ Docket No. CP2017-257, Public Representative Comments on Request of the United States Postal Service to Add Functionally Equivalent Global Plus 1D Negotiated Service Agreements, August 15, 2017 (CP2017-257 PR Comments).

2. The Commission conditionally approves a modification to each Agreement if that modification is filed as discussed in the body of this Order.
3. The Postal Service shall promptly notify the Commission should there be a change in the effective date of any of the Agreements.
4. The Postal Service shall promptly file notice of an Agreement's termination with the Commission in the appropriate docket if that Agreement is terminated prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble
Secretary

CHANGES TO THE MAIL CLASSIFICATION SCHEDULE

The following material represents a change to the Mail Classification Schedule. The Commission uses two main conventions when making changes to the Mail Classification Schedule. New text is underlined. Deleted text is struck through.

Part B—Competitive Products

2500 Negotiated Service Agreements

2510 Outbound International

2510.6 Global Plus Contracts

2510.6.6 Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

- Global Plus 1D
Baseline Reference
Docket No. CP2016-163
PRC Order No. 3395, June 29, 2016

Included Agreements

CP2017-247, expires August 31, 2018.
CP2017-248, expires August 31, 2018.
CP2017-251, expires August 31, 2018.
CP2017-252, expires August 31, 2018.
CP2017-253, expires August 31, 2018.
CP2017-254, expires August 31, 2018.
CP2017-255, expires August 31, 2018.
CP2017-256, expires August 31, 2018.
CP2017-257, expires August 31, 2018.
