

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

Before Commissioners:

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

Competitive Product Prices
Priority Mail & First-Class Package Service Contract 38
(MC2017-35)
Negotiated Service Agreements

Docket No. CP2017-60

ORDER APPROVING AMENDMENT ONE TO
PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE NEGOTIATED SERVICE
AGREEMENT

(Issued June 5, 2018)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail & First-Class Package Service negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

In Order No. 3674, the Commission approved the Priority Mail & First-Class Package Service Contract 38 negotiated service agreement (Existing Agreement).² On

¹ USPS Notice of Amendment to Priority Mail & First-Class Package Service Contract 38, Filed Under Seal, June 1, 2018 (Notice). The amendment is an attachment to the Notice (Amendment).

² See Docket Nos. MC2017-35 and CP2017-60, Order Adding Priority Mail & First-Class Package Service Contract 38 to the Competitive Product List, December 20, 2016 (Order No. 3674).

June 1, 2018, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, 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 the 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, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement is set to expire December 21, 2019. Order No. 3674 at 9. The Amendment revises the expiration date of the contract to January 31, 2020. Notice, Attachment A at 2. The Amendment also revises the annual price adjustment provision for First-Class Package Service to be based on the percentage increase in commercial rates, rather than retail. *Id.* at 1-2.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its

review. Notice at 1. The Existing Agreement, as amended, is set to expire January 31, 2020. Notice, Attachment A at 2.

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail & First-Class Package Service Contract 38 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior the revised expiration date, January 31, 2020.

By the Commission.

Stacy L. Ruble
Secretary