

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

Competitive Product Prices
Parcel Select & Parcel Return Service
Parcel Select & Parcel Return Service Contract 7

Docket No. MC2019-64

Competitive Product Prices
Parcel Select & Parcel Return Service Contract 7
(MC2019-64)
Negotiated Service Agreement

Docket No. CP2019-69

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD
PARCEL SELECT & PARCEL RETURN SERVICE
CONTRACT 7 TO COMPETITIVE PRODUCT LIST

(January 2, 2019)

The Public Representative hereby provides comments in Docket No. CP2019-69, which was established to review the Postal Service's request to add a Parcel Select & Parcel Return Service contract to the competitive product list. In that Request, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Request to add Parcel Select & Parcel Return Service Contract 7 to the competitive product list.¹

The Postal Service's Request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), a public version of Parcel Select & Parcel Return Service Contract 7, and proposed changes to the Mail Classification Schedule competitive product list with the additions underlined. The Postal Service also filed under seal an unredacted version of Contract 7, and supporting financial data

¹ Request of the United States Postal Service to Add Parcel Select & Parcel Return Service Contract 7 to the Competitive Product List and Notice of Filing Materials Under Seal, December 21, 2018 (Request).

estimating the contract value during the first year. The Postal Service did not submit an accompanying Governor's Decision.

According to the Postal Service, Parcel Select & Parcel Return Service Contract 7 is a competitive product featuring rates "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service asserts that the Statement of Supporting Justification (Statement) provides support for adding Contract 7 to the competitive product list and the compliance of the instant contract with 39 U.S.C. § 3633(a). Request at 2; *Id.*, Attachment D.

The effective date for Contract 7 is 2 business days following the day on which the Commission issues all necessary regulatory approvals. *Id.*, Attachment B at 12 (Article II). The contract will expire on January 31, 2022, unless either party terminates the contract on 30 days' prior written notification, or other specific events. *Id.*, Attachment B at 12-13 (Article III).

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification, as well as Contract 7 and the financial data filed under seal with the Postal Service's Request. Based upon that review, the Public Representative concludes that Parcel Select & Return Service Contract 7 should be classified as a competitive product and added to the competitive product list. In addition, it appears that Contract 7 in the first year should generate sufficient revenues to cover costs and thereby satisfy 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Parcel Select & Parcel Return Service Contract 7 be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether "the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease

quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service’s Statement of Supporting Justification (Statement) makes a number of assertions that address the considerations of section 3642(b)(1). Request, Attachment D at 2. These assertions appear reasonable. Based upon the Statement, the Public Representative concludes that the Postal Service’s Request to add Parcel Select & Parcel Return Service Contract 7 to the competitive product list is appropriate.

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial data, the negotiated prices for Contract 7 should generate sufficient revenues to cover costs during the first year of the contract and therefore meet the requirements of 39 U.S.C. § 3633(a). In addition, while Contract 7 is expected to remain in effect until January 31, 2022, during this period, the contract contains a mechanism for the upward annual adjustment of prices.

Finally, the Postal Service must file revenue and cost data for Contract 7 in future Annual Compliance Reports. This data will permit the Commission to annually review the financial results for Parcel Select & Parcel Return Service Contract 7 in a future Annual Compliance Determination (ACD) report for compliance with 39 U.S.C. § 3633(a).

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

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