

ORDER NO. 5056

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

Before Commissioners:

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

Competitive Product Prices
Global Plus 4 (MC2018-150 and CP2018-216)
Negotiated Service Agreements

Docket No. CP2019-110

ORDER APPROVING ADDITIONAL GLOBAL PLUS 4
NEGOTIATED SERVICE AGREEMENT

(Issued April 15, 2019)

I. INTRODUCTION

The Postal Service seeks to include an additional Global Plus 4 agreement (Agreement) within the Global Plus 4 product.¹ For the reasons discussed below, the Commission approves the Postal Service's request.

¹ Notice of United States Postal Service of Filing a Functionally Equivalent Global Plus 4 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, March 21, 2019 (Notice).

II. BACKGROUND

Agreements under the Global Plus 4 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, First-Class Package International Service, and Commercial ePacket.²

On March 21, 2019, in accordance with 39 C.F.R. § 3015.5, the Postal Service filed its Notice, along with supporting documents. In the Notice, the Postal Service asserts that the Agreement is functionally equivalent to the baseline agreement for the Global Plus 4 product and requests that the Agreement be added to the existing Global Plus 4 product. Notice at 2. Among the supporting documents, the Postal Service included a copy of the Governors' Decision authorizing the Global Plus 4 product, the Agreement proposed to be added to the product, a certification of compliance with 39 U.S.C. § 3633(a), and financial workpapers. In addition, the Postal Service submitted an application for non-public treatment of materials requesting that unredacted portions of the Agreement, customer-identifying information, and related financial information remain under seal. *Id.* Attachment 4.

The Postal Service will establish the effective date of the Agreement after the Commission completes its review. Notice at 3. It is set to expire September 30, 2019. *Id.*

On March 22, 2019, the Commission issued a notice establishing the instant docket, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

² See Docket Nos. MC2018-150 and CP2018-216, Order Adding Global Plus 4 to the Competitive Product List and Designating Baseline Agreement, July 12, 2018, at 2 (Order No. 4709).

³ See Docket No. CP2019-110, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, March 22, 2019.

On April 2, 2019, Chairman's Information Request No. 1 was issued.⁴ CHIR No. 1 asked the Postal Service to submit a copy of a document referenced in the financial workpapers that were filed in support of the Notice. CHIR No. 1, question 1. The Postal Service provided the requested document on April 4, 2019.⁵ On April 5, 2019, Chairman's Information Request No. 2 was issued.⁶ CHIR No. 2 asked the Postal Service to address two apparent errors in the financial workpapers. See CHIR No. 2, questions 1, 2. The Postal Service filed corrected financial workpapers on April 11, 2019.⁷

III. COMMENTS

The Public Representative filed comments on March 27, 2019.⁸ No other comments were received. Based upon a review of the Postal Service's filing, including the information filed under seal with the Commission, the Public Representative concludes that the contract is functionally equivalent to the Global Plus 4 baseline agreement. See PR Comments at 1.

IV. COMMISSION ANALYSIS

The Commission's responsibilities in this case are to ensure that the Agreement: (1) is functionally equivalent to the baseline agreement established for the Global Plus 4 product; and (2) satisfies the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. §§ 3015.5 and 3015.7).

⁴ Chairman's Information Request No. 1, April 2, 2019 (CHIR No. 1).

⁵ Response of the United States Postal Service to Chairman's Information Request No. 1, April 4, 2019 (Response to CHIR No.1).

⁶ Chairman's Information Request No. 2 and Notice of Filing Under Seal, April 5, 2019 (CHIR No. 2).

⁷ Response of the United States Postal Service to Chairman's Information Request No. 2, April 11, 2019 (Response to CHIR No. 2).

⁸ Public Representative Comments on United States Postal Service Request to File a Functionally Equivalent Global Plus 4 Negotiated Service Agreement to the Competitive Product List, March 27, 2019 (PR Comments).

Functional equivalence. In Order No. 4709, the Commission added the Global Plus 4 product to the competitive product list and designated a baseline agreement for assessing the functional equivalence of other agreements proposed for inclusion within the Global Plus 4 product. Order No. 4709 at 9.

The Postal Service asserts that its filing demonstrates that the Agreement is functionally equivalent to the baseline agreement, and requests that the Agreement be included within the Global Plus 4 product. Notice at 2. It asserts that the Agreement fits within the Mail Classification Schedule language for the Global Plus 4 product. *Id.* at 3. The Postal Service also asserts that the Agreement and the baseline agreement possess similar cost and market characteristics and the same functional terms but states that prices may differ. *Id.* at 4. The Postal Service identifies differences between the Agreement and the baseline agreement but asserts that these differences do not affect the fundamental service being offered or the fundamental structure of the Agreement.⁹

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 Representative's comments. The Commission concludes that the Agreement is 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 Agreement or the structure of the Agreement. The Commission therefore finds that the Agreement may be included within the Global Plus 4 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

⁹ Differences are limited to revisions of existing articles and the annexes. *Id.* at 4-5.

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 filing, including supporting financial analyses provided under seal, and the Public Representative's comments. Based on this review, the Commission finds that the Agreement should cover its attributable costs. Consequently, the Commission finds that the addition of the Agreement to the Global Plus 4 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 Agreement to the Global Plus 4 product should allow the product to cover its attributable costs, the Commission finds that the addition of the Agreement 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 Agreement to the Global Plus 4 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 Agreement indicates it is consistent with section 3633(a). The Commission will review the Agreement's cost coverage, the cost coverage of the Global Plus 4 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Postal Service will establish the effective date of the Agreement after the Commission completes its review. Notice at 3. The Postal Service shall promptly notify the Commission of the effective date of the Agreement. It is set to expire September 30, 2019. *Id.*

If the Agreement is terminated prior to the scheduled expiration date, the Postal Service shall promptly file notice of such termination with the Commission in this docket.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Agreement filed in Docket No. CP2019-110 is included within the Global Plus 4 (MC2018-150) product. The revision to the Mail Classification Schedule appears below the signature of this Order and is effective immediately.
2. The Postal Service shall promptly notify the Commission of the effective date of the Agreement.
3. The Postal Service shall promptly file notice of the Agreement's termination with the Commission in this docket if the 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 4
 - Baseline Reference*
Docket Nos. MC2018-150 and CP2018-216
PRC Order No. 4709, July 12, 2018
 - Included Agreements*

CP2019-110, expires September 30, 2019
