

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

Before Commissioners:

Robert G. Taub, Chairman;
Michael Kubayanda, Vice Chairman;
Mark Acton;
Ann C. Fisher; and
Ashley E. Poling

Competitive Product Prices
Priority Mail Contract 234 (MC2016-181)
Negotiated Service Agreements

Docket No. CP2016-260

ORDER APPROVING AMENDMENT TWO TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued February 12, 2020)

I. INTRODUCTION

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

¹ USPS Notice of Amendment to Priority Mail Contract 234, Filed Under Seal, February 11, 2020 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 3480, the Commission approved the Priority Mail Contract 234 negotiated service agreement (Existing Agreement).² On February 11, 2020, 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 February 20, 2020.³ The Amendment revises the expiration date of the contract to May 20, 2020. Notice, Attachment A at 2. The Amendment also revises terms related to the applicability of other Postal Service

² See Docket Nos. MC2016-181 and CP2016-260, Order Adding Priority Mail Contract 234 to the Competitive Product List, August 23, 2016 (Order No. 3480). The contract was later amended. See Order Approving Amendment to Priority Mail Negotiated Service Agreement, December 8, 2016 (Order No. 3651).

³ See Order No. 3480 at 9 (setting original expiration date as August 24, 2019); USPS Notice of Extension of Priority Mail Contract 234, August 16, 2019, at 1 (extending contract to November 22, 2019); USPS Notice of Extension of Priority Mail Contract 234, November 8, 2019, at 1 (extending contract to February 20, 2020).

publications and prevents negotiated rates from applying to packages sent to certain zip codes. *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 May 20, 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 Contract 234 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the revised expiration date, May 20, 2020.

By the Commission.

Erica A. Barker
Secretary