

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
Global Plus 3 (MC2016-152)
Negotiated Service Agreements

Docket No. CP2017-258

ORDER APPROVING MODIFICATION SEVEN TO
GLOBAL PLUS 3 NEGOTIATED SERVICE AGREEMENT

(Issued February 26, 2020)

I. INTRODUCTION

The Postal Service seeks to modify a Global Plus 3 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of the United States Postal Service of Filing Modification Seven to a Global Plus 3 Negotiated Service Agreement, February 13, 2020 (Notice). The modification is an attachment to the Notice (Modification).

In Order No. 4047, the Commission approved the Global Plus 3 negotiated service agreement (Existing Agreement).² On February 13, 2020, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement. On February 14, 2020, the Commission issued a notice reopening this docket to consider the Modification, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. Notice at 1-2.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Modification and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as modified, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.* at 2-3.

² See Order Approving Additional Global Plus 3 Negotiated Service Agreement and Conditionally Approving Modification, August 16, 2017 (Order No. 4047). The contract was later modified. See Notice of the United States Postal Service of Filing Modification in Response to Order No. 4047, August 29, 2017; Order Approving Modification Two to Global Plus 3 Negotiated Service Agreement, August 24, 2018 (Order No. 4794); Notice of the United States Postal Service of Filing Modification Three to a Global Plus 3 Negotiated Service Agreement, April 9, 2019; Order Approving Modification Three to Global Plus 3 Negotiated Service Agreement, April 18, 2019 (Order No. 5062); Docket No. CP2017-232 *et al.*, Order Approving Modifications to International Negotiated Service Agreements, August 15, 2019 (Order No. 5196); Docket No. CP2017-258 *et al.*, Order Approving Modifications to International Negotiated Service Agreements, September 17, 2019 (Order No. 5231); Order Approving Modification Six to Global Plus 3 Negotiated Service Agreement, January 23, 2020 (Order No. 5413).

³ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, February 14, 2020.

⁴ Public Representative Comments on Postal Service Notice of Filing Modification Seven to Global Plus 3 Negotiated Service Agreement, February 20, 2020 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

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 Modification revises the tender amount and the negotiated rates. Notice, Attachment 1 at 1. The Modification also revises the expiration date of the contract to June 30, 2020. *Id.*

Based on a review of the record, the Commission finds that the Existing Agreement, as modified, should cover its attributable costs.⁵ Consequently, the Commission finds that the Modification should allow the Global Plus 3 product to continue to comply with 39 U.S.C. § 3633(a)(2). For this reason, the Commission finds that the Modification 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 Modification is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C.

⁵ The Commission notes that the Postal Service relied upon costs reported in Docket No. ACR2019, Library Reference USPS-FY19-NP36, January 31, 2020 (NP36) rather than the costs reported in Library Reference USPS-FY19-NP2 (revised), January 10, 2020. The Commission inquired as to the use of the cost data from NP36 in Docket Nos. CP2020-95 and CP2020-96. See Docket Nos. CP2020-95 and CP2020-96, Chairman's Information Request No. 1, February 26, 2020, questions 1-3. For purposes of the instant docket, the Commission finds that the Existing Agreement, as modified, should continue to cover its attributable costs using either set of cost data. In Docket Nos. CP2020-95 and CP2020-96, the Commission will resolve the issue of which cost data should be used for future filings.

§ 3633(a)(3). Accordingly, a preliminary review of the Modification indicates it is consistent with section 3633(a). The Commission will review the cost coverage of the Existing Agreement, as modified, the cost coverage of the Global Plus 3 product, and the contribution of competitive products as a whole to the Postal Service's institutional costs in the Commission's Annual Compliance Determination to ensure that they continue to comply with 39 U.S.C. § 3633(a).

Other considerations. The Existing Agreement, as modified, is set to expire June 30, 2020. Notice, Attachment 1 at 1. If the Existing Agreement, as modified, 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 modified.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Global Plus 3 negotiated service agreement, as modified.
2. The Postal Service shall notify the Commission if the Existing Agreement, as modified, terminates prior to the revised expiration date, June 30, 2020.

By the Commission.

Erica A. Barker
Secretary