

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

Competitive Product Prices
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service Contract 3

Docket No. MC2020-137

Competitive Product Prices
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service Contract 3
(MC2020-137)
Negotiated Service Agreement

Docket No. CP2020-146

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL EXPRESS INTERNATIONAL,
PRIORITY MAIL INTERNATIONAL &
FIRST-CLASS PACKAGE INTERNATIONAL SERVICE CONTRACT 3
TO THE COMPETITIVE PRODUCT LIST

(May 29, 2020)

The Public Representative hereby provides comments pursuant to the Commission's Notice in this docket.¹ In that Notice, 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 Priority Mail Express International, Priority Mail International & First-Class Package International

¹ PRC Notice Initiating Docket No. MC2020-137/CP2020-146, May 26, 2020

Service Contract 3 to the competitive product list.² The Postal Service's Request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), and a copy of Governor's Decision No. 19-1. The Postal Service also filed (under seal) a contract related to the proposed new product, and supporting financial data.

According to the Postal Service, Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 3 is a competitive product "not of general applicability" within the meaning of 39 U.S.C. § 3632(b)(3). *Request* at 1. The Postal Service also maintains that the prices and classification underlying the instant contract are supported by Governors' Decision No. 19-1.³ The Postal Service further asserts that the Statement of Supporting Justification provides support for adding Contract 3 to the competitive product list and the compliance of the contract with 39 U.S.C. § 3633(a). *Request* at 2.

The contract's effective date will be set after receiving final regulatory approval by the Commission. The contract is to expire June 30, 2020, unless terminated sooner pursuant to Article 12, 13 or 31 of the contract. *Id.*

COMMENTS

The Public Representative has reviewed the instant contract, the Statement of Supporting Justification, and the financial data and model filed under seal that accompanies the Postal Service's Request. Based upon that review, the Public Representative concludes that Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 3 should be categorized as a competitive product and added to the competitive product list. In

² Request of the United States Postal Service to Add Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 3 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 26, 2020 (Request).

³ Decision of the Governors of the United States Postal Service on Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, February 7, 2019 (Governors' Decision No. 19-1).

addition, it appears that the instant contract will generate sufficient revenues to cover costs during its term and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Contract 3 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 makes a number of assertions that address the considerations of section 3642(b)(1). *Attachment D.* These assertions appear reasonable. Based upon these assertions, the Public Representative concludes that the Postal Service's Request to add Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 3 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 3 should generate sufficient revenues to cover costs during the term of the contract and therefore meet the requirements of 39 U.S.C. § 3633(a).

Finally, the Postal Service must file actual revenue and cost data for Contract 3 in future Annual Compliance Reports. These data will permit the Commission to annually review the financial results for Contract 3 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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