

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 Expedited Package Services (GEPS)—  
Non-Published Rates  
Global Expedited Package Services (GEPS)—  
Non-Published Rates 15

Docket No. MC2020-136

Competitive Product Prices  
Global Expedited Package Services (GEPS)—  
Non-Published Rates 15 (MC2020-136)  
Negotiated Service Agreements

Docket No. CP2020-145

ORDER ADDING GLOBAL EXPEDITED PACKAGE SERVICES (GEPS)—  
NON-PUBLISHED RATES 15 TO THE COMPETITIVE PRODUCT LIST

(Issued June 19, 2020)

I. INTRODUCTION

The Postal Service requests that the Commission add Global Expedited Package Services—Non-Published Rates 15 (GEPS—NPR 15) to the competitive product list.<sup>1</sup>

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<sup>1</sup> Request of the United States Postal Service to Add Global Expedited Package Services - Non-Published Rates 15 (GEPS – NPR 15) to the Competitive Product List and Notice of Filing GEPS – NPR 15 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, May 21, 2020 (Request).

Request at 1. The Request includes a GEPS—NPR 15 model contract. *Id.* at 5; see *id.* Attachment 4. For the reasons discussed below, the Commission approves the Request.

## II. BACKGROUND

*Initial Commission action.* On June 22, 2020, the Commission issued a notice establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>2</sup> Three Chairman’s Information Requests were issued under seal asking the Postal Service to address issues in the financial workpapers related to the settlement charges to be paid by the Postal Service.<sup>3</sup> The Postal Service resolved the issues in its responses, which were also filed under seal.<sup>4</sup>

*GEPS—NPR product history.* Products in the GEPS—NPR product grouping offer incentive pricing to small- and medium-sized businesses that satisfy prescribed capability requirements and make a contractual commitment to generate minimum levels of revenue through the use of Priority Mail Express International (PMEI), Priority Mail International (PMI), Global Express Guaranteed (GXG), and First-Class Package

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<sup>2</sup> Notice Initiating Docket(s) For Recent Postal Service Negotiated Service Agreement Filings, June 22, 2020.

<sup>3</sup> See Chairman's Information Request No. 1 and Notice of Filing Under Seal, May 29, 2020; Chairman's Information Request No. 2 and Notice of Filing Under Seal, June 2, 2020; Chairman's Information Request No. 3 and Notice of Filing Under Seal, June 10, 2020.

<sup>4</sup> Response of the United States Postal Service to Chairman's Information Request No. 1, June 5, 2020 (Response to CHIR No. 1); Response of the United States Postal Service to Chairman's Information Request No. 2, June 8, 2020 (Response to CHIR No. 2); Response of the United States Postal Service to Chairman's Information Request No. 3, June 17, 2020. The Postal Service filed an errata to its Response to CHIR No. 1. Notice of Errata to Response of the United States Postal Service to Chairman's Information Request No. 1, June 8, 2020. Additionally, the Postal Service filed a motion for late acceptance of its Response to CHIR No. 2. Motion of the United States Postal Service for Late Acceptance of Response to Chairman's Information Request No. 2, June 8, 2020 (Motion). The Motion is granted.

International Service (FCPIS) products. See Request at 5-6. The Postal Service states:

GEPS - NPR 1 and 2 offered incentive pricing to small and medium-sized business mailers that satisfy prescribed capability requirements and that are willing to enter a contractual commitment to minimum levels of revenue from use of Priority Mail Express International (PMEI) and Priority Mail International (PMI) products. GEPS - NPR 3 through 7 offered such incentive pricing for not only PMEI and PMI, but also Global Express Guaranteed (GXG). GEPS – NPR 8, 9, 10, 11 and 12 offered such incentive pricing for not only GXG, PMEI, and PMI, but also First-Class Package International Service (FCPIS). GEPS NPR 13 and 14 offered incentive pricing only for PMEI, PMI, and FCPIS, as does GEPS - NPR 15.

*Id.*

Under an approach developed in several orders, the Commission authorizes the Postal Service, following approval of a GEPS—NPR product, to enter into standard agreements and to file the executed agreements for review after execution, subject to

several conditions.<sup>5</sup> The latter include filing requirements, such as notice of the fact that the Postal Service has entered into a GEPS—NPR contract, the effective date, the termination date, and quarterly results.<sup>6</sup>

*The GEPS—NPR 15 product.* The Postal Service proposes to create GEPS—NPR 15 due to its revision of the Management Analysis, financial model, and model contract for GEPS—NPR. Request at 6.

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<sup>5</sup> See Docket No. CP2011-45, Order Adding Global Expedited Package Services—Non-Published Rates 2 to the Competitive Product List, December 30, 2010 (Order No. 630); Docket Nos. MC2012-4 and CP2012-8, Order Approving Postal Service Request to Add Global Expedited Package Services—Non-Published Rates 3 (GEPS—NPR 3) to Competitive Product List, January 20, 2012 (Order No. 1161); Docket Nos. MC2013-27 and CP2013-35, Order Adding Global Expedited Package Services—Non-Published Rates 4 (GEPS—NPR 4) to the Competitive Product List, January 16, 2013 (Order No. 1625); Docket Nos. MC2015-23 and CP2015-29, Order Adding Global Expedited Package Services—Non-Published Rates Contract 5 (GEPS—NPR 5) to the Competitive Product List, January 13, 2015 (Order No. 2320); Docket Nos. MC2015-23 and CP2015-65, Order Approving Changes in Prices and Model Contract and Adding Redesignated Global Expedited Package Services—Non-Published Rates 6 to the Competitive Product List, May 27, 2015 (Order No. 2513); Docket Nos. MC2015-55 and CP2015-83, Order Adding Global Expedited Package Services—Non-Published Rates 7 to the Competitive Product List, July 1, 2015 (Order No. 2558); Docket Nos. MC2016-5 and CP2016-5, Order Adding Global Expedited Package Services—Non-Published Rates Contract 8 to the Competitive Product List, October 23, 2015 (Order No. 2774); Docket Nos. MC2016-46 and CP2016-61, Order Adding Global Expedited Package Services—Non-Published Rates Contract 9 (GEPS—NPR 9) to the Competitive Product List, December 30, 2015 (Order No. 2967); Docket Nos. MC2016-97 and CP2016-122, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 10 (GEPS—NPR 10) to the Competitive Product List, March 29, 2016 (Order No. 3189); Docket Nos. MC2017-72 and CP2017-99, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 11 (GEPS—NPR 11) to the Competitive Product List, January 11, 2017 (Order No. 3746); Docket Nos. MC2017-105 and CP2017-152; Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 12 (GEPS—NPR 12) to the Competitive Product List, April 20, 2017 (Order No. 3865); Docket Nos. MC2018-125 and CP2018-170, Order Concerning the Addition of Global Expedited Package Services (GEPS)—Non-Published Rates 13 to the Competitive Product List, February 28, 2020 (Order No. 4423); Docket Nos. MC2018-186 and CP2018-260, Order Concerning the Addition of Global Expedited Package Services (GEPS)—Non-Published Rates 14 to the Competitive Product List, July 9, 2018 (Order No. 4702); see also Request, Attachment 2C at 7-8.

<sup>6</sup> See generally Docket Nos. MC2012-4 and CP2012-8, Order on Motion for Partial Reconsideration, May 4, 2012 (Order No. 1333); Docket Nos. MC2017-105 and CP2017-152, Order Concerning the Addition of Global Expedited Package Services—Non-Published Rates Contract 12 (GEPS—NPR 12) to the Competitive Product List, April 20, 2017 (Order No. 3865).

### III. THE POSTAL SERVICE'S POSITION

The Postal Service asserts that the GEPS—NPR 15 model contract under consideration is similar to the GEPS—NPR 14 model contract reviewed in Order No. 4702. *Id.* The Postal Service identifies the major differences between the two products to be in the Management Analysis, the financial model, and the rates. *Id.*

With respect to new rates, the Postal Service asserts that changes are authorized by Governors' Decision No. 19-1, which states that for Outbound International Competitive Agreements, such as GEPS—NPR 15, "management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule."<sup>7</sup>

*Section 3633(a).* The Postal Service includes a Statement of Supporting Justification to support a finding that the GEPS—NPR 15 product's cost coverage will ensure that cross-subsidization of this product by market dominant products should not occur and demonstrates that the product should make an ample contribution to institutional costs, in addition to covering its attributable costs. See Request, Attachment 3.

*Filing and reporting practices.* The Postal Service states that it will provide a copy of each GEPS—NPR 15 customer agreement to the Commission, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each GEPS—NPR 15 agreement. Request, Attachment 2C at 7-8. Each GEPS—NPR 15 contract will bear a serial number, and subsequent information filed with the Commission concerning a specific contract will be filed with reference to the applicable docket and serial number. *Id.* at 8. The Postal Service further states that all contracts using the GEPS—NPR 15 model customer contract and the rates in the Management Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate Annual Compliance Report (ACR). *Id.*

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<sup>7</sup> *Id.* at 7; see *id.* Attachment 2A at 1-2.

#### IV. COMMENTS

Comments were filed by the Public Representative on May 28, 2020.<sup>8</sup> No other comments were received. The Public Representative concludes that the GEPS—NPR 15 product should be added to the competitive product list. PR Comments at 2-3. He characterizes as reasonable the Postal Service’s assertions regarding the classification of the contract as a competitive product. See *id.* at 3. He states that the prices set in GEPS—NPR 15 contracts should generate sufficient revenue to cover costs and thus satisfy 39 U.S.C. § 3633(a). *Id.* at 3.

#### V. COMMISSION ANALYSIS

The Postal Service’s Request presents two main issues: (1) whether GEPS—NPR 15 should be added to the competitive product list; and (2) whether the rates generated by the revised methodology presented in the accompanying financial model satisfy 39 U.S.C. § 3633(a) and 39 C.F.R. part 3035. Based on a review of the Request and the supporting documentation, the Commission approves the Postal Service’s request to add GEPS—NPR 15 to the Mail Classification Schedule (MCS) and adds it to the competitive product list.

*Inclusion within the competitive product list.* The applicable criteria, under 39 U.S.C. § 3642(b), are whether the proposed product qualifies as market dominant or competitive; is excluded from the postal monopoly; and reflects several additional considerations related to the impact on private enterprises engaged in delivery of the product, the views of those who use the product, and the likely impact on small business concerns.

Other than the management analysis, financial model, administrative changes to the model contract, and prices themselves, the instant filing is identical to GEPS—NPR

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<sup>8</sup> Public Representative Comments on Postal Service Notice to Add Global Expedited Package Services Non-Published Rates 15 to the Competitive Product List, May 28, 2020 (PR Comments).

13 which, in Order No. 4423, was classified as a competitive product. See Request at 6. The Commission finds that these differences do not require reconsideration of the Commission's previous determination concerning product classification.

*Cost considerations.* The revised Management Analysis and financial model presented by the Postal Service in support of the GEPS—NPR 15 product indicates that the rates are sufficient to cover attributable costs, and that the product is not being cross-subsidized by market dominant products and should make a positive contribution to institutional costs. Thus, based on a review of the Request, supporting data, and comments, the Commission finds that the rates for GEPS—NPR 15 contracts should cover their attributable costs (39 U.S.C. § 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. § 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. § 3633(a)(3)).

*Financial Workpapers.* The Commission's review of the financial workpapers in this docket was hampered by the Postal Service's failure to sufficiently identify and provide the source materials necessary to verify the settlement charges used to calculate cost coverage. In future filings, the Postal Service should be sure to precisely identify and provide the source material for the data included in financial workpapers.

*Other Issues.* Due to the large number of GEPS—NPR 15 agreements the Postal Service intends to file that have a start date of July 1, 2020, the Postal Service requests that the Commission permit it to file such agreements until August 1, 2020, rather than within the typical 10 day filing period. See Request at 7. The Postal Service requests a similarly extended 30-day filing period for future occurrences where a large number of agreements have the same start date.

The Commission recognizes the administrative difficulties posed by filing a large number of agreements concurrently, and therefore approves the request. GEPS-NPR 15 agreements with an effective date of July 1, 2020 will be considered timely filed with the Commission if they are filed no later than August 1, 2020. The Postal Service may

extend the filing period for future GEPS-NPR 15 agreements to 30 days by filing notice with the Commission in this docket prior to the effective date of the agreements. Such notices shall cite to this order and are to be used only when the volume of agreements with similar start dates is too large to practically file within the typical 10 day filing period. Such notices shall be effective when filed and do not require Commission action.

*Conclusion.* The Commission approves the inclusion of GEPS—NPR 15 (MC2020-136 and CP2020-145) within the GEPS—NPR product grouping in the MCS and as a new product on the competitive product list.

In connection with the new product, the Postal Service, consistent with Order No. 4423, will provide a copy of each GEPS—NPR 15 customer agreement to the Commission, along with the financial cost inputs used to generate the rates for the customer, and the effective date of each GEPS—NPR 15 agreement. See Request, Attachment 2C at 8-9. Each GEPS—NPR 15 customer agreement must be filed with the Commission within a reasonable time, e.g., 10 days of its effective date (including modified or renewed contracts).<sup>9</sup>

All contracts using the GEPS—NPR 15 model customer contract and the rates in the Management Analysis will be filed in a single docket and will be reported as a single competitive product in the appropriate ACR. Request, Attachment 2C at 8. In addition, each GEPS—NPR 15 contract will bear a serial number and subsequent information filed with the Commission concerning a specific contract will be filed with reference to the docket and serial number. *Id.*

Non-Published Rates products such as GEPS—NPR 15 give the Postal Service flexibility to enter into agreements that meet set conditions without seeking prior approval from the Commission. In light of the additional flexibility afforded to the Postal Service with these types of agreements, these associated reporting requirements are a

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<sup>9</sup> See Docket Nos. MC2011-15 and CP2011-51, Order Approving Addition of Priority Mail—Non-Published Rates 1 to the Competitive Product List, February 3, 2011, at 8 (Order No. 661).



critical part of the regulatory regime. The Commission cautions the Postal Service that failure to timely file individual contracts could result in the cancellation of such contracts by the Commission.<sup>10</sup>

## VI. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the proposed model contract filed in these dockets.
2. The Commission adds Global Expedited Package Services (GEPS)—Non-Published Rates Contract 15 (MC2020-136 and CP2020-145) to the competitive product list within the product grouping for GEPS—NPR in the Mail Classification Schedule. Revisions to the competitive product list and the Mail Classification Schedule appear below the signature of this Order and are effective immediately.
3. Changes in rates due to changes to the GEPS—NPR 15 model contract and/or changes to the financial model must be approved in advance by the Commission pursuant to 39 C.F.R. part 3035.
4. A copy of each contract, along with the financial model inputs used to generate rates for each contract, must be filed with the Commission within a reasonable time, e.g., within 10 days of the effective date of the contract. Contracts with an effective date of July 1, 2020 may exceptionally be filed with the Commission

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<sup>10</sup> See Docket No. CP2011-51, Order Requiring Additional Information, December 29, 2016, at 4 (Order No. 3714).

until August 1, 2020. The Postal Service may extend the filing period for other contracts as described in the body of this order.

5. The Postal Service shall notify the Commission of the effective date of each contract. If any contract terminates earlier than scheduled, the Postal Service shall inform the Commission prior to the new termination date.
6. The Secretary shall arrange for the publication in the *Federal Register* of an updated product list reflecting the change made in the body of this Order.

By the Commission.

Erica A. Barker  
Secretary

## CHANGES TO THE PRODUCT LIST

The following material represents changes to the product list codified in Appendix B to 39 C.F.R. part 3040, subpart A—Competitive Product List. These changes reflect the Commission’s order in Docket Nos. MC2020-136 and CP2020-145. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

### **Appendix B to Subpart A of Part 3040—Competitive Product List**

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#### **Negotiated Service Agreements\***

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Outbound International\*

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Global Expedited Package Services (GEPS)—Non-Published Rates

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Global Expedited Package Services (GEPS)—Non-Published Rates 15

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## 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 2000 Competitive Product List

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#### Negotiated Service Agreements\*

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Outbound International\*

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Global Expedited Package Services (GEPS)—Non-Published Rates

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Global Expedited Package Services (GEPS)—Non-Published Rates 15

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**2500**

**Negotiated Service Agreements**

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**2510**

**Outbound International**

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**2510.8**

**Global Expedited Package Services (GEPS)—Non-Published Rates**

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2510.8.7

Products Included in Group (Agreements)

Each product is followed by a list of agreements included within that product.

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- Global Expedited Package Services (GEPS)—Non-Published Rates 15  
Baseline Reference  
Docket Nos. MC2020-136 and CP2020-145  
PRC Order No. 5558, June 19, 2020  
Included Agreements

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