

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

Competitive Product Prices
International Priority Airmail, Commercial Epacket,
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service Contract 1

Docket No. MC2020-159

Competitive Product Prices
International Priority Airmail, Commercial Epacket,
Priority Mail Express International,
Priority Mail International &
First-Class Package International Service
Contract 1 (MC2020-159)
Negotiated Service Agreement

Docket No. CP2020-177

PUBLIC REPRESENTATIVE COMMENTS

(June 23, 2020)

The Public Representative hereby provides comments pursuant to the Commission's Notice Initiating Docket(s).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 International Priority Airmail, Commercial Epacket, Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 1 (Contract 1) 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), a public (redacted) version of

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, June 12, 2020 (Notice).

² USPS Request to Add International Priority Airmail, Commercial ePacket, Priority Mail Express International, Priority Mail International & First-Class Package International Service Contract 1 to Competitive Product List and Notice of Filing Materials Under Seal, June 15, 2020 (Request).

Governor's Decision No. 19-1 and related analysis, a public version of the contract, and proposed changes to the Mail Classification Schedule competitive product list with the additions underlined. The Postal Service also filed under seal an unredacted version of Governor's Decision No. 19-1 and Contract 1, and supporting financial data estimating the contract value during the first year.

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification, as well as Contract 1 and the financial data filed under seal with the Postal Service's Request. Based upon that review, the Public Representative concludes that Contract 1 should be classified as a competitive product and added to the competitive product list. In addition, it appears that Contract 1 should generate sufficient revenues to cover costs and thereby satisfy 39 U.S.C. § 3633(a).

Product List Assignment. 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's Statement of Supporting Justification (Statement) makes a number of assertions that address the considerations of section 3642(b)(1). Request, Attachment D at 2. Based upon the Statement, the Public Representative concludes that the Postal Service's Request to add Contract 1 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 in Contract 1 should generate sufficient revenues to cover costs a for the product.d therefore meet the requirements of 39 U.S.C. § 3633(a). It appears that the Postal Service filed the wrong workpaper for Priority Mail Express International. Nonetheless, due to the relatively small volume in that category, its unlikely that Priority Mail Express International would have a significant impact on cost coverage.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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