

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
Parcel Select Contract 36 (MC2020-68)
Negotiated Service Agreements

Docket No. CP2020-67

ORDER APPROVING AMENDMENT ONE TO
PARCEL SELECT NEGOTIATED SERVICE AGREEMENT

(Issued July 28, 2020)

I. INTRODUCTION

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

¹ USPS Notice of Amendment to Parcel Select Contract 36, Filed Under Seal, July 10, 2020 (Notice). The amendment is an attachment to the Notice (Amendment).

II. BACKGROUND

In Order No. 5379, the Commission approved the Parcel Select Contract 36 negotiated service agreement (Existing Agreement).² On July 10, 2020, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On July 13, 2020, the Commission issued a notice reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

The Postal Service intends for the Amendment to become effective three business days after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3035.105. *Id.*

III. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. PR Comments at 2. Based on that review, he concludes that the Existing Agreement, as amended, should continue to generate sufficient revenue to cover costs and satisfy 39 U.S.C. § 3633(a).⁵ He notes that the Commission will have an opportunity to annually review the financial results for the contract. *Id.*

² See Docket Nos. MC2020-68 and CP2020-67, Order Adding Parcel Select Contract 36 to the Competitive Product List, December 23, 2019 (Order No. 5379).

³ See Docket No. CP2020-87, *et al.*, Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 13, 2020.

⁴ Public Representative Comments on Notice of United States Postal Service of Filing Second Amendment to Parcel Select Contract 36, July 20, 2020 (PR Comments).

⁵ *Id.* The Public Representative further states, “[i]t also appears that the amended language does not affect [the contract’s] revenue but allows the Postal Service to recalculate prices in subsequent years due to inflation.” *Id.* This comment is not germane to the instant Amendment, which includes revisions to the negotiated rates.

IV. 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. §§ 3035.105 and 3035.107. 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 Amendment revises the negotiated rates to be paid by the contract partner. Notice, Attachment A at 2-4. The Amendment also revises the contract language describing the types of Parcel Select packages receiving negotiated rates, the contract partner's volume commitment, the premium service fee, and appeals. *Id.* at 1-4.

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, 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 Existing Agreement, as amended, is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). See *also* 39 C.F.R. § 3035.107(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a). The Commission will continue to review the cost coverage of the Existing Agreement, as amended, in its Annual Compliance Determination to ensure that rates cover costs.

Other considerations. The Postal Service states that the Amendment shall become effective three business days after the date that the Commission completes its

review. Notice at 1. 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.

V. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Parcel Select Contract 36 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Erica A. Barker
Secretary