

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Express International,
Priority Mail International, First-Class Package
International Service & Commercial ePacket Contract 9

Docket No. MC2020-233

Competitive Product Prices
Priority Mail Express International,
Priority Mail International, First-Class Package
International Service & Commercial ePacket Contract 9
(MC2020-263)
Negotiated Service Agreement

Docket No. CP2020-263

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL EXPRESS INTERNATIONAL, PRIORITY MAIL INTERNATIONAL,
FIRST-CLASS PACKAGE INTERNATIONAL SERVICE & COMMERCIAL EPACKET
CONTRACT 9
TO THE COMPETITIVE PRODUCT LIST

(September 8, 2020)

The Public Representative hereby provides comments pursuant to the Commission notice initiating 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 Service & Commercial ePacket Contract 9 (Contract) to the competitive product list.²

The Postal Service's Request includes a public (redacted) version of the Governor's Decision, a public (redacted) version of the Contract, proposed changes to the Mail Classification Schedule product list, a statement of supporting justification, and

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

² USPS Request to Add Priority Mail Express International, Priority Mail International, First-Class Package International Service & Commercial ePacket Contract 9 to Competitive Product List and Notice of Filing Materials Under Seal, August 31, 2020. (Request)

a certification of compliance with 39 U.S.C. § 3633(a). The Postal Service also filed under seal the unredacted version of the Governor's Decision and the Contract, and supporting financial data estimating the contract value.

According to the Postal Service, the Contract 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 maintains that the prices and classification underlying the Contract are supported by Governors' Decision No. 19-1.³

The Postal Service will establish the effective date of the contract once the Postal Regulatory Commission completes its review. Notice at 2. If the Effective Date of the Agreement is the first of the month, the Agreement shall remain in effect for one calendar year from the Effective Date. Attachment B at 3. If the Effective Date of the Agreement is not the first of the month, the Agreement shall remain in effect until the last day of the month in which the Effective Date falls in the year subsequent to the Effective Date. *Id.*

COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Contract, supporting attachments, and the financial model filed under seal. Based upon that review, the Public Representative concludes that the Contract should be categorized as a competitive product and added to the competitive product list. In addition, it appears that the Contract will generate sufficient revenues to cover costs 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 the Contract be added to the competitive product list. 39 U.S.C. § 3642(b)(1) requires the Commission to consider whether "the Postal Service exercises

³ Decision of the Governors of the United States Postal Service on the Establishment 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).

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.”

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 39 U.S.C. § 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 the Contract to the competitive product is appropriate.

Sufficient Revenue Requirement. 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 the Contract should generate sufficient revenues to cover costs and therefore meet the requirements of 39 U.S.C. § 3633(a).

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

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