

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

Before Commissioners:

Dan G. Blair, Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Tony L. Hammond

Competitive Product Prices  
Parcel Return Service  
Parcel Return Service Contract 1

Docket No. MC2009-1

Competitive Product Prices  
Parcel Return Service Contract 1 (MC2009-1)  
Negotiated Service Agreement

Docket No. CP2009-2

NOTICE AND ORDER CONCERNING  
PARCEL RETURN SERVICE CONTRACT 1  
NEGOTIATED SERVICE AGREEMENT

(Issued October 22, 2008)

I. INTRODUCTION

On October 15, 2008, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add Parcel Return Service Contract 1 to the competitive product list.<sup>1</sup> The Postal Service asserts that the Parcel Return Service

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<sup>1</sup> Request of the United States Postal Service to Add Parcel Return Service Contract to Competitive Product List and Notice of Establishment of Rates and Class Not of General Applicability, October 15, 2008 (Request).

Contract 1 product is a competitive product “not of general applicability” within the meaning of 39 U.S. C. 3632(b)(3). *Id.* at 1. The Request has been assigned Docket No. MC2008-8.

The Postal Service contemporaneously filed a contract related to the proposed new product pursuant to 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. The contract is assigned Docket No. CP2009-2. The Postal Service represents that the contract fits within the proposed Mail Classification Schedule (MCS) language.

*Request.* The Request incorporates (1) a redacted version of the Governors’ Decision authorizing the new product; (2) a redacted version of the contract; (3) requested changes in the MCS product list; (4) a statement of supporting justification as required by 39 CFR 3020.32; and (5) certification of compliance with 39 U.S.C. 3633(a).<sup>2</sup> Substantively, it requests that the Parcel Return Service Contract 1 product be added to the competitive product list. Request at 1-2. The Postal Service states the service to be provided under the contract will cover its attributable costs and make a positive contribution to coverage of institutional costs. *Id.*, Attachment D. The Postal Service also asserts that the contract will increase contribution toward the requisite 5.5 percent of the Postal Service’s total institutional costs. *Id.*, Attachment E. As a result, the Request contends there will be no issue of subsidization of competitive products by market dominant products as a result of this contract. *Id.* at 1.

*Related Contract.* A redacted version of the specific Parcel Return Service Contract 1 is included with the Request. The contract is for two years and is to be effective one day after the Commission approves the required addition of this product to

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<sup>2</sup> Attachment A to the Request consists of the redacted Decision of the Governors of the United States Postal Service on Establishment of Rates and Classes Not of General Applicability for Parcel Return Service (Governors’ Decision No.08-12). The Governors’ Decision includes an attachment which is an analysis of the proposed Parcel Return Service Contract 1. Attachment B is the redacted version of the contract. Attachment C shows the requested changes to the MCS product list. Attachment D provides a statement of supporting justification for this Request. Attachment E provides the certification of compliance with 39 U.S.C. 3633(a). Unredacted documents and additional supporting information were filed under seal.

the product list. The Postal Service represents that the contract is consistent with 39 U.S.C. 3633(a) and 39 CFR 3015.7(c). See Request, Attachment to Governors' Decision and Attachment E. It notes that actual performance under this contract could vary from estimates, but concludes that the contract will remain profitable. *Id.*, Attachment to Governors' Decision.

The Postal Service filed much of the supporting materials, including the Governors' Decision and the specific Parcel Return Service Contract 1, under seal. In its Request, the Postal Service maintains that the contract and related financial information, including the customer's name and the accompanying analyses that provide prices, terms, conditions and financial projections should remain under seal. Request at 2.

## II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2009-1, and CP2009-2 for consideration of the Request pertaining to the Parcel Return Service Contract 1 product and the related contract. In keeping with practice, these dockets are addressed on a consolidated basis for purposes of this Order; however, future filings should be made in the specific docket in which issues being addressed pertain.

Interested persons may submit comments on whether the Postal Service's filings in the captioned dockets are consistent with the policies of 39 U.S.C. 3632, 3633, or 3642 and 39 CFR part 3015 and 39 CFR 3020 subpart B. Comments are due no later than October 29, 2008. The public portions of these filings can be accessed via the Commission's website ([www.prc.gov](http://www.prc.gov)).

The Commission appoints Paul L. Harrington to serve as Public Representative in these dockets.

## III. CONFIDENTIALITY

As noted, the Postal Service filed much of the supporting materials under seal, including, among other things, (1) the Governor's certification and voting record, and (2) the signatures, printed names, titles and dates executing the contract on behalf of the Postal Service. The foregoing material would not appear to warrant confidential treatment. The Postal Service should file unredacted copies of the foregoing no later than October 27, 2008. Alternatively, if the Postal Service believes that such material should remain confidential, it shall file a detailed justification for its position no later than October 27, 2008.

The Commission takes its responsibility to protect confidential information very seriously. For the Commission to adequately differentiate confidential information from non-confidential information, participants should appropriately label every page of a confidential document as confidential. This duty to label extends to all sheets of supporting spreadsheets submitted by participants. The Postal Service is urged to employ this practice.

#### IV. SUPPLEMENTAL INFORMATION

The Commission has reviewed the Postal Service's filings in these dockets. Pursuant to 39 CFR 3015.6, the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided as soon as practicable, but no later than October 27, 2008.

1. The following Excel spreadsheet incorporates several cost savings measures: ContractFinancialAnalysisPRS[contract partner].xls. Please provide a narrative describing the basis for these cost savings.
2. Please provide the supporting data and narrative explanation for the value for the following Excel file:

ContractFinancialAnalysisPRS[contract partner].xls tab:

PartnerProfile cell:C5.

3. (a) Please provide the formulas and the underlying data supporting them for all "hardcoded" numbers for the Excel file identified in Question 2.  
(b) Do the underlying data reflect volume shifts due to this contract? If not, please explain.
4. Will the methodology approved in Docket No. RM2008-6 be used for purposes of updating costs for subsequent years of this contract?

*It is Ordered:*

1. The Commission establishes Docket Nos. MC2009-1 and CP2009-2 for consideration of the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, Paul L. Harrington is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.
3. Comments by interested persons in these proceedings are due no later than October 29, 2008.

4. The Postal Service is directed to respond to the Commission's inquiries with respect to confidentiality and supplemental information as set forth in Sections III and IV of this Order no later than October 27, 2008.
5. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Judith M. Grady  
Acting Secretary