

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
Priority Mail
Priority Mail Contract 4

Docket No. MC2009-5

Competitive Product Prices
Priority Mail Contract 4 (MC2009-5)
Negotiated Service Agreement

Docket No. CP2009-6

NOTICE AND ORDER CONCERNING
PRIORITY MAIL CONTRACT 4
NEGOTIATED SERVICE AGREEMENT

(Issued October 31, 2008)

I. INTRODUCTION

On October 27, 2008, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add the Priority Mail Contract 4 product to the Competitive Product List. The Postal Service asserts that the Priority Mail Contract 4 product is a competitive product “not of general applicability” within the

meaning of 39 U.S.C. 3632(b)(3). This Request has been assigned Docket No. MC2009-5.¹

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. CP2009-6. The Postal Service represents that the contract fits within the proposed Mail Classification Schedule (MCS) language.

Request. The Request is filed pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* 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) submission of supporting material under seal; and (5) certification of compliance with 39 U.S.C. 3633(a).² The Request seeks to add Priority Mail Contract 4 to the Competitive Product List. Request at 1.

In the statement of supporting justification, Kim Parks, Manager, Sales and Communications, Expedited Shipping, asserts that the service to be provided under the contract will cover its attributable costs, make a positive contribution to institutional costs, and increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. *Id.*, Attachment D. Thus, Ms. Parks contends there will be no issue of subsidization of competitive products by market dominant products as a result of this contract. *Id.*

Related contract. A redacted version of the specific Priority Mail Contract 4 is included with the Request. The contract is for 2 years and is to be effective 1 day after

¹ Request of the United States Postal Service to Add Priority Mail Contract 4 to Competitive Product List and Notice of Establishment of Rates and Class Not of General Applicability, October 27, 2008 (Request).

² Attachment A to the Request consists of the redacted Decision of the Governors of the United States Postal Service on Establishment of Rates and Class Not of General Applicability for Priority Mail Service (Governors' Decision No. 08-16). The Governors' Decision includes an attachment which provides an analysis of the proposed Priority Mail Service Contract. Attachment B is a redacted version of the contract. Attachment C shows the requested changes in 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).

the Commission approves the required addition of this product to 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 *id.*, Attachment A and Attachment D. It notes that there is some risk of not meeting the expected cost coverage, based, for example, on pieces becoming less dense or traveling a longer distance than expected. The Postal Service concludes, however, that the risks are manageable and expects the contract to remain profitable. *Id.*, Attachment A.

The Postal Service filed much of the supporting materials, including the Governors' Decision and the specific Priority Mail Contract 4 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 the prices, terms, conditions, and financial projections should remain under seal. *Id.* at 2.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2009-5 and CP2009-6 for consideration of the Request pertaining to the Priority Mail Contract 4 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. Comments are due no later than November 7, 2008. The public portions of these filings can be accessed via the Commission's website (www.prc.gov).

The Commission appoints Paul L. Harrington to serve as Public Representative in the captioned filings.

It is Ordered:

1. The Commission establishes Docket Nos. MC2009-5 and CP2009-6 for consideration of the matters raised in each docket.
2. The Commission, pursuant to 39 U.S.C. 505, appoints Paul L. Harrington 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 November 7, 2008.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary