

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 2
Negotiated Service Agreement

Docket No. MC2009-2
Docket No. CP2009-3

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL CONTRACT 2 TO COMPETITIVE PRODUCT LIST
(November 5, 2008)

In response to Order No. 122,¹ the Public Representative hereby comments on the October 24 Request of the United States Postal Service to Add Priority Mail Contract 2 to Competitive Products List and Notice of Establishment of Rates and Class Not of General applicability (Request).

For a competitive products pricing schedule *not of general applicability*,² the Postal Service must demonstrate that the contract will comply with 39 USC 3633(a): It will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and enable competitive

¹ Commission Order 122, Notice and Order Concerning Priority Mail Contract 2 Negotiated Service Agreement, October 31, 2008.

² See 39 C.F.R. 3015.5.

products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Request [and its accompanying documentation (under seal)] is persuasive. Each element of 39 USC 3633(a) appears to be met by this Priority Mail contract, and the prototype CP2009-3.

The Public Representative has accessed and reviewed all materials the United States Postal Service submitted under seal in this matter, documentation in its original (not redacted) version. Discussion of salient issues follows.

Accountability and Confidentiality

The Postal Service Request contains a rationale for maintaining confidentiality concerning pricing, processes which enable discounted pricing, the attendant formulae and other contractual terms which are matters of commercial sensitivity.³ Here, it would appear that the Postal Service has concisely justified the extent of confidentiality appropriate in this matter, providing a brief explanation for maintaining the confidentiality of each aspect of the matters remaining under seal.

³ Postal Service Notice, at 2-3.

Pricing, Cost Coverage and Contribution

The Priority Mail Contract 2 classification proposal, and a specific one-year contract (CP2009-3), with discounts based upon volume, provide for the mailer to present the Postal Service with mailpieces which are “Less expensive to handle.”⁴ The mailings will be entered in bulk, resulting in processing savings, and the contract should result in additional volume for the Postal Service.

The Public Representative acknowledges that the pricing for this Priority Mail contract comports with pricing, cost coverage and contribution provisions of title 39.

This Priority Mail contract is designed to help acquire new volume for the Postal Service, and provide incentives for the other party. These factors promote the value of this agreement to the Postal Service throughout the one-year life of the contract.

Conclusion

The Public Representative acknowledges that the pricing in the Priority Mail Contract 2 comports with provisions of title 39. This contract appears to be able to generate sufficient revenue to cover its attributable costs, enable competitive products as a whole to cover their costs, and contribute a minimum of 5.5 percent to the Postal Service’s total institutional costs.⁵

⁴ Governors Decision 08-13, October 23, 2008 at p. 1.

⁵ 39 C.F.R. 3015.7(c).

The Public Representative respectfully submits the preceding Comments for the Commission's consideration.

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