

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 4
Negotiated Service Agreement

Docket No. MC2009-5
Docket No. CP2009-6

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE REQUEST TO ADD
PRIORITY MAIL CONTRACT 4 TO COMPETITIVE PRODUCT LIST
(November 6, 2008)

In response to Order No. 124,¹ the Public Representative hereby comments on the October 15 Request of the United States Postal Service to Add Priority Mail Contract 4 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 124, Notice and Order Concerning Priority Mail Contract 4 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.

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.

Pricing, Cost Coverage and Contribution

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

³ Postal Service Request, at 2-3.

The Decision of the Governors of the United States Postal Service (Governor's Decision 08-16), and management's analysis of this Priority Mail contract detail a number of reasons this contract would be advantageous to the Postal Service, including the following:

- The contract brings new volume to the Postal Service.
- The mailings will be entered in bulk.
- The two-year contract stipulates that the mailer will pay published commercial rates for Priority Mail pieces, and may earn a rebate at the end of each quarter, based upon revenue thresholds.
- There are no packaging costs.

Each of these factors promotes positive benefits for the general mailing public. Combined, they bring added efficiency to postal operations, and help to reduce potential costs. The Priority Mail 4 contract's cost coverage for these streamlined mailings is well over 100 percent. Accordingly, there should be no issue of subsidization of competitive products by market dominant products as a result of this contract.

Conclusion

The Public Representative submits that the present Priority Mail 4 contract complies with title 39. It does not appear that this contract will lead to any subsidization of competitive products by market dominant products. 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.⁴

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

Paul L. Harrington
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6867; Fax (202) 789-6883
e-mail: paul.harrington@prc.gov

⁴ 39 C.F.R. 3015.7(c).