

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
Global Direct
Negotiated Service Agreements

Docket No. MC2009-9

Competitive Product Prices
Global Direct Contract (MC2009-9)
Negotiated Service Agreement

Docket No. CP2009-10

Competitive Product Prices
Global Direct Contract (MC2009-9)
Negotiated Service Agreement

Docket No. CP2009-11

NOTICE AND ORDER CONCERNING
GLOBAL DIRECT CONTRACTS
NEGOTIATED SERVICE AGREEMENTS

(Issued November 20, 2008)

I. INTRODUCTION

On November 17, 2008, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add Global Direct Negotiated Service

Agreements to the Competitive Product List.¹ The Postal Service indicates that Governors' Decision No. 08-10, July 16, 2008, establishes prices and classifications not of general applicability for Global Direct contracts.² The Request has been assigned Docket No. MC2009-9.

The Postal Service contemporaneously filed notice that it had entered into two Global Direct contracts with customers. Request at 1. The contracts have been assigned Docket Nos. CP2009-10 and CP2009-11. The Postal Service represents that the contracts' terms fit within the proposed Mail Classification Schedule (MCS) language included as Attachment A-2 to Governors' Decision 08-10, filed in Docket No. MC2008-7. *Id.* at 2. It claims the contracts are functionally equivalent in that they share similar cost and market characteristics, encompass customers who send mail directly to foreign destinations and desire that their mail bear the indicia of the foreign country, and cover the same services to the same foreign destination. *Id.* at 5-6. The Postal Service requests that the Commission classify these contracts as one product on the Competitive Product List in the MCS. *Id.* at 2, 5.

Request. Global Direct services provides customers with a price for mail acceptance within the United States and transportation to a receiving country of mail that bears the receiving country's indicia and meets the preparation requirements for the particular type of mail established by the receiving country.

The Request, which seeks to incorporate Governors' Decision No. 08-10 and the record of proceedings in Docket No. MC2008-7, includes a statement of supporting

¹ Request of the United States Postal Service to Add Global Direct Negotiated Service Agreements to the Competitive Product List, and Notice of Filing (Under Seal) Two Functionally Equivalent Agreements, November 17, 2008 (Request).

² Governors' Decision No. 08-10, July 16, 2008, filed in Docket No. MC2008-7 establishes prices and classifications not of general applicability for Global Direct and Global Bulk Economy Contracts, as well as for Global Plus Contracts 2, which combines Global Direct and Global Bulk Economy services. In that proceeding, the Postal Service indicated that until it entered into contracts with customers for Global Direct, it would not ask the Commission to establish an individual classification for Global Direct services. See *Id.* at 1, n.1.

justification as required by 39 CFR 3020.32,³ certifications of compliance with 39 U.S.C. 3633(a),⁴ and supporting material filed under seal.⁵ Substantively, the Request seeks to add two Global Direct Negotiated Service Agreements contracts as a single product in the Competitive Product List. *Id.* at 1-2.

In the Statement of Supporting Justification, Frank Cebello, Executive Director, Global Business Management, asserts that each 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 1, at 2. Thus, Mr. Cebello contends there will be no issue of subsidization of competitive products by market dominant products as a result of these contracts. *Id.*

Related contracts. Copies of the specific Global Direct contracts were filed under seal a day after the Request was filed. The Postal Service notes the contracts are set to begin within 30 days after regulatory approvals and are set to expire not later than January 31, 2010. The Postal Service represents that the contracts are consistent with 39 U.S.C. 3633(a). *See id.* Attachments 2 and 3.

The Postal Service filed much of the supporting materials, including Governors' Decision 08-10 (in Docket No. MC2008-7) and the financial analysis for these Global Direct contracts, under seal. In its Request, the Postal Service maintains that the contracts and related financial information, including the customers' names and the accompanying analyses that provide prices, terms, conditions, and financial projections, should remain under seal. *Id.* at 2-4.

³ See Attachment 1 to the Request.

⁴ See Attachments 2 and 3 to the Request.

⁵ The supporting materials were filed subsequent to the Request on November 18, 2008.

II. NOTICE OF FILINGS

The Commission establishes Docket Nos. MC2009-9, CP2009-10, and CP2009-11 for consideration of the Request pertaining to the proposed Global Direct Negotiated Service Agreements product and the related contracts, respectively. 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.⁶

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, 39 CFR part 3015, and 39 CFR 3020 subpart B. Comments are due no later than December 2, 2008. The public portions of these filings can be accessed via the Commission's website (www.prc.gov).

The Commission appoints Michael J. Ravnitzky to serve as Public Representative in these dockets.

It is Ordered:

1. The Commission establishes Docket Nos. MC2009-9, CP2009-10, and CP2009-11 for consideration of the matters raised in each docket.
2. Pursuant to 39 U.S.C. 505, Michael J. Ravnitzky is appointed to serve as officer of the Commission (Public Representative) to represent the interests of the general public in these proceedings.

⁶ Docket No. MC2009-9 is reserved for those filings related to the proposed product of Global Direct services and the requirements of 39 U.S.C. 3642, while Docket Nos. CP2009-10 and CP2009-11 are reserved for those filings specific to the contracts and the requirements of 39 U.S.C. 3633.

Docket Nos. MC2009-9
CP2009-10
CP2009-11

– 5 –

3. Comments by interested persons in these proceedings are due no later than December 2, 2008.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Steven W. Williams
Secretary