

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 Plus 1 Contracts (CP2008-8)  
Negotiated Service Agreements

Docket No. CP2009-46

ORDER CONCERNING FILING A  
FUNCTIONALLY EQUIVALENT GLOBAL PLUS 1 CONTRACT  
NEGOTIATED SERVICE AGREEMENT

(Issued July 31, 2009)

I. INTRODUCTION

The Postal Service proposes to add a specific Global Plus 1 contract to the Global Plus Contracts product established in Docket No. CP2008-8. For the reasons discussed below, the Commission approves the Postal Service's proposal.

II. BACKGROUND

On July 13, 2009, the Postal Service filed a notice, pursuant to 39 CFR 3015.5, announcing that it has entered into two additional Global Plus 1 contracts, which it

states fit within the previously established Global Plus Contracts product.<sup>1</sup> The Postal Service states that each contract is functionally equivalent to previously submitted Global Plus 1 contracts, are filed in accordance with Order No. 85, and are supported by Governors' Decision No. 08-8 filed in Docket No. CP2008-8.<sup>2</sup> Notice at 1.

The Notice also states that in Docket No. CP2008-8, the Governors established prices and classifications for competitive products not of general applicability for Global Plus Contracts.<sup>3</sup> The Postal Service states that the instant contract is the immediate successor contract to Docket No. CP2008-9 which is to expire soon, which the Commission found to be functionally equivalent in Order No. 85. *Id.* at 2.

The Postal Service contends that the instant contract should be included within the Global Plus 1 product on the Competitive Product List. *Id.* at 1.

In support, the Postal Service has also filed a redacted version of each contract and related materials as Attachment 1-A. A redacted version of the certified statement required by 39 CFR 3015.5 is included as Attachment 2-A. The Postal Service requests that the instant contract "be considered the new 'baseline' contract[s] for future functional equivalency analyses concerning this product." *Id.* at 2.

The Postal Service filed the instant contract pursuant to 39 CFR 3015.5. The contract becomes effective August 1, 2009, unless regulatory reviews affect that date, and has a one-year term.

The Postal Service maintains that certain portions of this contract and certified statement required by 39 CFR 3015.5(c)(2), containing names and identifying

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<sup>1</sup> Notice of the United States Postal Service of Filing Two Functionally Equivalent Global Plus 1 Contracts Negotiated Service Agreements, July 13, 2009 (Notice). While the Notice was filed jointly in Docket Nos. CP2009-46 and CP2009-47, the Commission will address the issues in these dockets in separate orders. The Postal Service requests that the two contracts be included in the Global Plus 1 product, and "that they be considered the new 'baseline' contracts for future functional equivalency analyses..." *Id.* at 2.

<sup>2</sup> See Docket Nos. CP2008-8 through CP2008-10, Order Concerning Global Plus Negotiated Service Agreements, June 27, 2008 (Order No. 85).

<sup>3</sup> See Docket No. CP2008-8, Notice of United States Postal Service of Governors' Decision Establishing Prices and Classifications for Global Plus Contracts, June 2, 2008, at 1.

information of the Global Plus 1 customer, related financial information, as well as the accompanying analyses that provide prices, terms, conditions, and financial projections should remain under seal. *Id.* at 3.

The Postal Service asserts the contract is functionally equivalent with the contract filed in Docket No. CP2009-47 because they share similar cost and market characteristics. It contends that they should be classified as a single product. *Id.* It states that while the existing contracts filed in Docket Nos. CP2008-9 and CP2008-10 exhibited minor distinctions, the new contracts are virtually identical to one another. *Id.* at 4.

The Postal Service maintains these differences only add detail or amplify processes included in prior Global Plus 1 contracts. It contends because the instant contract has the same cost attributes and methodology as well as similar cost and market characteristics the differences do not affect the fundamental service being offered or the essential structure of the contract. *Id.* at 7-8. It states the contract is substantially similar both to the existing contract in Docket No. CP2008-9 and to the existing Global Plus 1 contracts and should be added to the Global Plus 1 product. *Id.* at 8.

In Order No. 249, the Commission gave notice of the docket, appointed a Public Representative, and provided the public with an opportunity to comment.<sup>4</sup>

On July 22, 2009, Chairman's Information Request No. 1 (CHIR No. 1) was issued with responses due by July 27, 2009. On July 24, 2009, the Postal Service provided its responses to CHIR No. 1.

### III. COMMENTS

Comments were filed by the Public Representative.<sup>5</sup> No other interested parties submitted comments. The Public Representative states the individual contracts appear

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<sup>4</sup> Notice and Order Concerning Two Functionally Equivalent Global Plus 1 Contracts Negotiated Service Agreements, July 16, 2009 (Order No. 249).

to satisfy the statutory criteria, but because of the timeframe to provide comments and information identified in CHIR No. 1, his response is not an unqualified recommendation in support of each contract's approval. *Id.* at 2. He notes that relevant provisions of 39 U.S.C. 3632, 3633 and 3642 appear to be met by these additional Global Plus 1 contracts. *Id.* The Public Representative states that he believes the contracts are functionally equivalent to the existing Global Plus Contracts product. He also determines that the Postal Service has provided greater transparency and accessibility in its filings. *Id.* at 3.

The Public Representative notes that the general public benefits from the availability of these contracts in several ways: well prepared international mail adds increased efficiency in the mailstream, enhanced volume results in timeliness in outbound shipments to all countries including those with small volume, and the addition of shipping options may result in expansion of mail volumes, particularly with the incentives for Postal Qualified Mailers (PQWs) and increased efficiency in existing postal capacity. *Id.* at 4-5.

Finally, he discusses the need for self-contained docket filings. In particular, he notes that the instant contract relies on data from the most recent International Cost and Revenue Analysis (ICRA), which was filed under seal in another docket. He suggests that the Postal Service should identify the location of the ICRA utilized and cited in that docket. *Id.* at 6.

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<sup>5</sup> Public Representative Comments in Response to Order No. 249, July 23, 2009 (Public Representative Comments). The Public Representative's comments jointly address the Postal Service's filings in Docket Nos. CP2009-46 and CP2009-47.

#### IV. COMMISSION ANALYSIS

The Postal Service proposes to add an additional contract under the Global Plus Contracts product that was created in Docket No. CP2008-8. As filed, this docket presents two issues for the Commission to consider: (1) whether the contract satisfies 39 U.S.C. 3633, and (2) whether the contract is functionally equivalent to previously reviewed Global Plus 1 contracts. In reaching its conclusions, the Commission has reviewed the Notice, the contract and the financial analyses provided under seal, supplemental information, and the Public Representative's comments.

*Statutory requirements.* The Postal Service contends that the instant contract and supporting documents filed in this docket establish compliance with the statutory provisions applicable to rates for competitive products (39 U.S.C. 3633). Notice at 2. J. Ron Poland, Manager, Statistical Programs, Finance Department asserts Governors' Decision No. 08-8 for Global Plus Contracts establishes price floor and ceiling formulas issued on May 28, 2008. He certifies that the pricing in the instant contract meets the Governors' pricing formula and meets the criteria of 39 U.S.C. 3633(a)(1), (2) and (3). He further states that the prices demonstrate that the contract and the included ancillary services should cover their attributable costs, preclude the subsidization of competitive products by market dominant products, and should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs. *Id.*, Attachment 2-A.

For his part, the Public Representative indicates that the contract appears to satisfy 39 U.S.C. 3633. Public Representative Comments at 1-3.

Based on the review of the data submitted, including the supplemental information, the Commission finds that the contract should cover its attributable costs (39 U.S.C. 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. 3633(a)(3)). Thus, an

initial review of the contract indicates that it comports with the provisions applicable to rates for competitive products.

*Functional equivalence.* The Postal Service asserts that the instant contract is functionally equivalent to the contract filed in the companion proceeding, Docket No. CP2009-47, as well as with Global Plus 1 contracts filed previously because they share similar cost and market characteristics. Notice at 4. The Postal Service states that the customers under the existing and proposed contracts are the same. In addition, it notes that existing contracts exhibited some differences, the contracts proposed in Docket No. CP2009-46 and CP2009-47 are virtually identical. *Id.*

Having reviewed the contracts filed in the instant proceeding and in Docket No. CP2009-47, and the Postal Service's justification, the Commission finds that the two contracts may be treated as functionally equivalent.

*New baseline.* The Postal Service requests that the contracts filed in Docket Nos. CP2009-46 and 2009-47 be included in the Global Plus 1 product and "considered the new 'baseline' contracts for purposes of future functional equivalency analyses concerning this product." Notice at 2. Currently, the Global Plus 1 product consists of two existing contracts that will be superseded by the contracts in Docket Nos. CP2009-46 and CP2009-47. Under those circumstances, the new contracts need not be designated as a new product. Accordingly, the new contracts in Docket Nos. CP2009-46 and CP2009-47 will be included in the Global Plus 1 product and become the "baseline" for future functional equivalency analyses regarding that product.

*Self-contained docket filings.* The Public Representative reiterates a point made in Order No. 247 regarding the need for self-contained docket filings. In particular, he points to the difficulty in obtaining IRCA data relied on to support the instant contract but filed under seal in another docket. He suggests that "filings that reference the ICRA should include a pointer to the location of the ICRA utilized and cited in that docket." Public Representative Comments at 6.

The Public Representative point is well taken. The Commission does not wish to burden the Postal Service with extraneous filing requirements, nor does it intend for the

process of reviewing Postal Service filings to become labyrinthine. Recognizing that Postal Service filings are electronic, the Commission will adopt the following policy:

- the redacted Governors' Decision on which the contract is based should be included with the filing;
- an html link should be provided to the document filed by the Postal Service that notices that the unredacted Governors' Decision is being filed under seal; and
- all other confidential data relied on to support the specific contract should be filed in the docket in which that specific contract is filed.

*Other considerations.* If the agreement terminates earlier than anticipated, the Postal Service shall promptly inform the Commission of the new termination date.

In conclusion, the Commission finds that the negotiated service agreement submitted in Docket No. CP2009-46 is appropriately included within the Global Plus Contracts product.

## V. ORDERING PARAGRAPHS

*It is Ordered:*

1. The contract filed in Docket No. CP2009-46 is included within the Global Plus 1 product (CP2008-8 and CP2009-46).
2. The existing Global Plus 1 product (CP2008-9 and CP2008-10) is removed from the product list.
3. As discussed in the body of this Order, future contract filings which rely on materials filed under seal in other dockets should be self contained.

4. The Postal Service shall notify the Commission if the termination date changes as discussed in this Order.

By the Commission.

Judith M. Grady  
Acting Secretary

CHANGE IN MAIL CLASSIFICATION SCHEDULE  
CHANGE IN PRODUCT LIST

The following material includes changes in the Product List codified at 39 CFR Appendix A to Subpart A of Part 3020—Mail Classification Schedule. These changes are in response to the Postal Service’s Docket No. CP2009-46 request. The Commission uses two main conventions when making changes to the product lists. The addition of text is indicated by underscoring. Deleted text is indicated by a strikethrough.

Part B—Competitive Products

2000 Competitive Product List

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Negotiated Service Agreements

Domestic

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Global Plus Contracts

~~Global Plus 1 (CP2008-9 and CP2008-10)~~

Global Plus 1 (CP2008-8 and CP2009-46)