

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;  
Tony L. Hammond, Vice Chairman;  
Mark Acton;  
Dan G. Blair; and  
Nanci E. Langley

Competitive Product Prices  
International Business Reply Service  
Competitive Contract 2 (MC2010-18)  
Negotiated Service Agreements

Docket Nos. MC2010-18  
CP2010-21  
CP2010-22

NOTICE AND ORDER CONCERNING FILING OF INTERNATIONAL BUSINESS  
REPLY SERVICE COMPETITIVE CONTRACT 2  
NEGOTIATED SERVICE AGREEMENT

(Issued February 12, 2010)

I. INTRODUCTION

On February 9, 2010, the Postal Service filed a notice announcing that it has entered into two additional International Business Reply Service (IBRS) Contracts.<sup>1</sup> Additionally, the Postal Service filed a formal request pursuant to 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.* to add IBRS Competitive Contract 2 to the Competitive Product

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<sup>1</sup> Notice of the United States Postal Service of Filing Two Functionally Equivalent IBRS Competitive Contracts and Request to Establish Successor Instruments as Baseline International Business Reply Service Competitive Contract 2, February 9, 2010 (Request).

List.<sup>2</sup> The Postal Service asserts that the new IBRS Competitive Contract 2 product is a competitive product “not of general applicability” within the meaning of 39 U.S.C. 3632(b)(3). *Id.* The Request has been assigned Docket No. MC2010-18.

The Postal Service contemporaneously filed two contracts related to the proposed new product pursuant to 39 U.S.C. 3632(b)(3) and 39 CFR 3015.5. The contracts have been assigned Docket Nos. CP2010-21 and CP2010-22.

The Postal Service uses IBRS contracts for customers that sell lightweight articles to foreign consumers and desire to offer their customers a way to return the articles to the United States for recycling, refurbishment, repair, or value-added processing. *Id.* at 3

*The instant contracts.* The Postal Service filed the instant contracts pursuant to 39 CFR 3015.5. In addition, the Postal Service contends that the contract is in accordance with Order No. 290.<sup>3</sup> The term of each contract is one year from the date the Postal Service notifies the customer that all necessary regulatory approvals have been received. The Postal Service states the instant contracts are to replace the expiring contracts in Docket Nos. MC2009-14 and CP2009-20.<sup>4</sup> *Id.* at 3-4. The Postal Service notes that the current contracts expire on February 28, 2010.<sup>5</sup>

In support of its Request, the Postal Service filed the following attachments:

- Attachment 1—a statement of supporting justification as required by 39 CFR 3020.32;

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<sup>2</sup> *Id.* at 1. The Postal Service states that it is not currently proposing to remove IBRS Contract 1 from the Competitive Product List because the agreement in Docket No. CP2009-17 remains in place. *Id.* at 2, n.5.

<sup>3</sup> See Docket No. CP2009-50, Order Granting Clarification and Adding Global Expedited Package Services 2 to the Competitive Product List, August 28, 2009 (Order No. 290).

<sup>4</sup> Docket Nos. MC2009-14 and CP2009-20, Request of the United States Postal Service to Add International Business Reply Service Contracts to the Competitive Products List, and Notice of Filing (Under Seal) Contract and Enabling Governors’ Decision, December 24, 2008 .

<sup>5</sup> The Postal Service states it is their intent that the new contracts will begin on March 1, 2010. *Id.* at 4.

- Attachments 2-A and 2-B—redacted copies of the contracts;
- Attachments 3-A and 3-B—redacted copies of the certified statements required by 39 CFR 3015.5(c)(2);
- Attachment 4—Governors’ Decision No. 08-24 which establishes prices and classifications for the IBRS Contracts product; and includes Mail Classification Schedule language for IBRS contracts, formulas for pricing along with an analysis, certification of the Governors vote, and certification of compliance with 39 U.S.C.3633 (a); and
- Attachment 5—an application for non-public treatment of materials to maintain the contracts and supporting documents under seal.

Substantively, the Request seeks to add International Business Reply Service Competitive Contract 2 to the Competitive Product List. *Id.* at 1.

In the statement of supporting justification, Jo Ann Miller, former Director, Global Business Development, asserts that the services to be provided under the contracts will cover their attributable costs, make a positive contribution to institutional costs, and increase contribution toward the requisite 5.5 percent of total institutional costs charged to competitive products. *Id.*, Attachment 1. Thus, Ms. Miller contends there will be no issue of subsidization of competitive products by market dominant products as a result of these contracts. *Id.*

*Functional equivalency.* The Postal Service asserts that the two contracts have generally similar cost and market characteristics as previous IBRS contracts. However, because it requests that the instant contracts be deemed the new baseline contracts for the IBRS Competitive Contract 2 product, the Postal Service considers the appropriate analysis to be the comparison of the new contracts’ cost attributes and market characteristics with one another. *Id.* at 3. The Postal Service indicates that the instant contracts differ from one another basically only in the customer identity. *Id.* The Postal Service represents that prices and classifications “not of general applicability” for IBRS

contracts were established by Governors' Decision No. 08-24 filed in Docket Nos. MC2009-14 and CP2009-20. It also identifies the instant contracts as fitting within the Mail Classification Schedule language for IBRS contracts as included as an attachment to Governors' Decision No. 08-24. *Id.* at 2.

The Request addresses reasons why IBRS Competitive Contracts 2 should be added to the Competitive Product List and fits within the Mail Classification Schedule language for the IBRS contracts. *Id.* at 5. The Postal Service also explains that a redacted version of the supporting financial documentation is included with this filing as a separate Excel file. *Id.* at 3.

The Postal Service asserts that the instant contracts are in compliance with 39 U.S.C. 3633, are functionally equivalent to one another, fit within the IBRS Mail Classification Schedule language, will serve as the new baseline contracts for the proposed product, and should be grouped together under a single product. *Id.* at 6. It requests that the instant contracts be included within the IBRS Competitive Contracts 2 product. *Id.*

## II. NOTICE OF FILING

The Commission establishes Docket Nos. MC2010-18, CP2010-21 and CP2010-22 for consideration of matters identified in the Postal Service's Request.

The Commission appoints Paul L. Harrington to serve as Public Representative in these dockets.

*Comments.* 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 and 39 CFR part 3015 and 39 CFR 3020 subpart B. Comments are due no later than February 22, 2010. The public portions of these filings can be accessed via the Commission's website ([www.prc.gov](http://www.prc.gov)).

### III. ORDERING PARAGRAPHS

*It is Ordered:*

1. The Commission establishes Docket Nos. MC2010-18, CP2010-21 and CP2010-22 for consideration of the matters raised in these dockets.
2. Pursuant to 39 U.S.C. 505, Paul L. Harrington is appointed 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 February 22, 2010.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove  
Secretary