

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Direct Contracts 1 (MC2010-17)
Negotiated Service Agreement

Docket No. CP2010-47

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE FILING OF ADDITIONAL
GLOBAL DIRECT CONTRACTS 1
NEGOTIATED SERVICE AGREEMENT

(May 17, 2010)

In response to Order No. 454¹, the Public Representative hereby comments on the May 4, 2010 Notice of United States Postal Service of an Additional Functionally Equivalent Global Direct 1 Negotiated Service Agreement, (NSA) with an individual mailer (Notice).

Summary

The Postal Service Notice is persuasive. This NSA is consistent with the policies of 39 U.S.C. 3632, with regard to Action of the Governors; section 3622, Modern rate regulation; and section 3642, with regard to adding new products to the Mail Classification List, notice and publication. These requirements are fulfilled through the Notice itself. Furthermore, and most importantly, each pertinent element of 39 USC 3633(a) appears to be met by this Global Direct contract. Likewise, this NSA comports with each of the requirements of 39 C.F.R. 3015.7(c) -- which amplifies 39 USC 3633(a).

¹ Commission Order 451, Notice and Order Concerning Filing of Additional Global Direct Contracts 1 Negotiated Service Agreements, May 6, 2010

Procedural Matters

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. The instant Notice, concerning the CP2010-47 NSA, comports with title 39 stipulations and the relevant Commission Rules of Practice and Procedure. The underlying bilateral agreement also comports with provisions of 39 U.S.C. 3632, as evidenced by the inclusion of Governors' Decision No. 08-10 (July 16, 2008), along with the analysis for that Decision in this Docket with the Postal Service's May 4, 2010 filing. Likewise, section 3642's notice and publication requirements are met by the submission of the Notice itself. The relevant *Code of Federal Regulations* procedural requirements (Rules of Practice and Procedure) for Commission review are also fulfilled by the Postal Service's Notice in this matter.

Pricing, Cost Coverage and Contribution

The Global Direct NSA model provides volume-based incentives for a mailer sending large volumes of Global Direct international mailpieces to foreign addressees. These mailpieces conform with specifications determined, in this case, by Canada Post Corporation. The instant contracts' pricing reflect appropriate increases in costs, yet still comports with the pricing shell in Governors' Decision 08-10 (July 16, 2008), which established the Global Direct NSA template. The Notice (3-4) outlines terms of the instant contract which were negotiated between the parties, and vary somewhat from the underlying Global Direct NSA template. The terms of the instant agreement do not appear significant enough to take this agreement out of functional equivalency (*f ~*) with

prior Global Direct contracts. Docket No. MC2010-17, reviewing Governors' Decision 08-10, found that the Global Direct 1 NSA template met the requirements of 39 USC 3633(a) for cost coverage and contribution to the Postal Service fund. In competitive products, the bright line identifying success for the Postal Service and/or the general public, is 39 USC 3633(a). When an NSA generates 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, all parties win. The flexibility permitted beyond that statutory, trichotomous requirement enables the Postal Service to explore ways to introduce additional efficiencies and sweeten the deal for customers.

Conclusion

The Public Representative, after accessing and reviewing all materials the United States Postal Service submitted under seal in this matter, documentation in its original (not redacted) version, acknowledges that the pricing in the present *f*~ Global Direct 1 contract (CP2010-47) comports with all relevant 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.² In addition to having the mailer prepare mailings for less costly handling by the Postal Service, these contracts employ pricing incentives based upon volumes and other provisions favorable to both the Postal Service and the public.

² 39 C.F.R. § 3015.7(c).

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

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