

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 2 (CP2009-50)
Negotiated Service Agreements

Docket Nos. CP2010-50
CP2010-51
CP2010-52
CP2010-53

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE FILING OF FOUR ADDITIONAL
GLOBAL EXPEDITED PACKAGE SERVICES 2
NEGOTIATED SERVICE AGREEMENTS

(May 19, 2010)

In response to Order No. 461¹, the Public Representative hereby comments on the May 11, 2010 filing by the United States Postal Service of Four Additional Functionally Equivalent Global Expedited Package Services 2 (GEPS-2) Negotiated Service Agreements.²

The Postal Service Notice provides adequate details for the approval of these agreements. These NSAs are 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, for notice and publication. Furthermore, and most importantly, each pertinent element of 39 USC 3633(a) appears to be met by these GEPS contracts. As such, these NSAs comport

¹ Commission Order 461, Notice and Order Concerning Filing of Four Additional Global Expedited Package Services 2 Negotiated Service Agreements, May 13, 2010

² Notice of United States Postal Service Filing of Four Functionally Equivalent Global Expedited Package Services 2 Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal.(Notice) May 11, 2010.

with each of the requirements of 39 C.F.R. 3015.7(c), the regulations defining the statutory requirements.

Pricing, Cost Coverage and Contribution

The GEPS-2 NSA model provides volume and/ or revenue based incentives for a mailer sending large volumes of EMI and/or PMI to foreign addressees. The instant contracts' pricing reflect appropriate cost adjustments, in line with the pricing shell in Governors' Decision 08-7 (May 6, 2008), which established the GEPS product. The Notice (3-7) outlines terms of the instant contracts which were negotiated between the parties, and vary somewhat from the underlying GEPS NSA template. The terms of the instant agreements are functionally equivalent with prior GEPS 2 contracts, while differing slightly. Docket No. CP2009-50, reviewing Governors' Decision 08-7, found that the GEPS 2 NSA template met the requirements of 39 USC 3633(a) for cost coverage and contribution to the Postal Service Competitive fund. For competitive products, and competitive agreements, the relevant portion of the statute for determining legality is 39 USC 3633(a). When an NSA generates sufficient revenue to cover its attributable costs and contribute a minimum of 5.5 percent to the Postal Service's total institutional costs, the requirements of 39 USC 3633(a) are satisfied.

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 GEPS 2 contracts (CP2010-50, CP2010-51, CP2010-52, and CP2010-53) comport with all relevant provisions of title 39. These contracts appear to be able to generate sufficient revenue to cover their 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. 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. The Commission should, however, ensure that the information submitted regarding the success of allows for a full post-hoc review. See Commission Order No. 442 at 7.³

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

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³ Order No.442 –Order Concerning Filing of Three Additional Global Expedited Package Services 2 Negotiated Service Agreements.