

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
Global Expedited Package Services Contracts
Non-Published Rates

Docket Nos. MC2010-29
CP2010-72

NOTICE AND ORDER CONCERNING REQUEST
TO ADD A NEW PRODUCT TO THE COMPETITIVE PRODUCT LIST

(Issued July 21, 2010)

On July 16, 2010, the Postal Service requested that the Commission add Global Expedited Package Services—Non-published Rates to the competitive product list within the Mail Classification Schedule (MCS).¹ This product grouping would create a niche classification in addition to existing Global Expedited Package Services (GEPS) categories. *Id.* at 8-10. GEPS offer discounts to small and medium-size mailers of Express Mail International (EMI) and Priority Mail International (PMI). The existing GEPS product is similar to the new GEPS—Non-published Rates. Each offer rates for

¹ Notice and Request of the United States Postal Service Concerning Global Expedited Package Services—Non-Published Rates and Application for Non-Public Treatment of Materials Filed Under Seal, July 16, 2010 (Request).

EMI and PMI based on revenue tiers, entry points, country groups, and weight cells. *Id.* at 4-6. According to the Postal Service, nearly all current GEPS agreements would fit within GEPS—Non-published Rates. Nonconforming agreements would remain within the existing GEPS product. *Id.* at 4.

The primary difference between GEPS and GEPS--Non-published Rates is that the Governors have approved an eight-tiered rate design model that includes every possible rate between a minimum and maximum rate within cells defined by country group and weight.² The maximum rate in each cell would be based on the published Click-N-Ship discounts of 8 and 5 percent for EMI and PMI, respectively. The minimum rate in each cell would be based on the entry of qualifying mail at an International Service Center in tier 8. *Id.*, Attachment C, at 1-2. The Postal Service would offer customized agreements to customers with rates between the minimum and maximum. Customers would need to make a minimum revenue commitment of \$50,000 per year. *Id.*, Attachment A, section 2610.7.1.

The purpose of GEPS—Non-published Rates is to streamline the “process for approving GEPS agreements, while maintaining their profitability and competitive positioning in the market.” *Id.*, Attachment C, at 1. The Postal Service states:

The number of [GEPS] agreements continues to grow, and the number of renewing customers is substantial. Because the agreements typically have a term of one year, the transaction costs for developing the pricing and filing each agreement as a separate product are substantial as well. The resources of the Commission are also affected by these agreements, as the Commission and a Public Representative must review each agreement and its rates prior to determining the functional equivalence of the agreement under review in comparison to the baseline GEPS agreement.

Request at 8.

The Postal Service further indicates that if the proposal is approved as a niche classification, “the filing of each mailer’s agreement to be added to the competitive

² See Request, Governors Decision No. 10-2, Attachment B.

product list would no longer be necessary.” *Id.* at 7, n.10. It anticipates, however, “providing copies of the agreements to the Commission under cover of a notice pleading.” *Id.*

Included with the Request are several attachments. Attachment 1 is an application for non-public treatment of portions of the Request. Attachment 2 contains the Governors’ Decision and attachments thereto, including MCS language describing GEPS—Non-published Rates, rate schedules, a management analysis, and certification that prices satisfy applicable pricing criteria. Attachment 3 is a Statement of Justification by the Executive Director, Global Business Management. Attachment 4 is a representative agreement between the Postal Service and a customer of GEPS—Non-published Rates.

Comments. Interested persons may submit comments on or before August 11, 2010. Reply comments may be submitted no later than August 18, 2010.

Public Representative. Pursuant to 39 U.S.C. 505, the Commission hereby appoints Steven M. Hoffer to serve as officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding. Neither Mr. Hoffer nor any staff assigned to assist him shall participate in or provide any advice on any Commission decision in this proceeding other than in their designated capacity.

It is ordered:

1. The Commission establishes Docket Nos. MC2010-29 and CP2010-72 to consider matters raised in the Postal Service's July 16, 2010 Request.
2. Comments are due August 11, 2010. Reply comments are due August 18, 2010.
3. Pursuant to 39 U.S.C. 505, the Commission appoints Steven M. Hoffer to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary