

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

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

Docket Nos. CP2010-66

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

(July 22, 2010)

In response to Order No. 488¹, the Public Representative hereby comments on the July 13, 2010 Notice of United States Postal Service of an Additional Functionally Equivalent Global Expedited Package Services 2 (GEPS-2) Negotiated Service Agreement, (NSAs) with an individual mailer (Notice).

The Postal Service Notice is persuasive. 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, 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 GEPS-2 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 488, Notice and Order Concerning Filing of Additional Global Expedited Package Services 2 Negotiated Service Agreement, July 14, 2010

Pricing, Cost Coverage and Contribution

The GEPS-2 NSA model provides volume-based incentives for a mailer sending large volumes of EMI and/or PMI to foreign addressees. The instant contracts' pricing reflect appropriate increases in costs, yet still comports with the pricing shell in Governors' Decision 08-7 (May 6, 2008), which established the GEPS product. The Notice (at 3-6) 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 do not appear to be significant enough to take these agreements out of functional equivalency (*f ~*) with prior GEPS 2 contracts. 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 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, three-fold requirement enables the Postal Service to explore ways to introduce additional efficiencies and provide discounted pricing 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* ~ GEPS 2 contract (CP2010-66) comports with 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.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.

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

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² 39 C.F.R. § 3015.7(c).