

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 2A Contracts (MC2008-7)
Negotiated Service Agreements

Docket Nos. MC2010-27
CP2010-69
CP2010-70

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE FILING OF
FUNCTIONALLY EQUIVALENT GLOBAL PLUS 2A CONTRACTS
-- NEGOTIATED SERVICE AGREEMENTS

(July 27, 2010)

In response to Order No. 493¹, the Public Representative hereby comments on the July 13, 2010 Notice of United States Postal Service of Functionally Equivalent Global Plus 2A Contracts Negotiated Service Agreements, (NSAs) with individual mailers. The comments are made after review of two additional relevant documents: Errata to Notice of the United States Postal Service of Filing of Two Functionally Equivalent Global Plus 2A Contracts Negotiated Service Agreements (July 14, 2010); and Notice of the United States Postal Service of Filing a Signed Global Plus 2A Negotiated Service Agreement (July 15, 2010). Collectively, the Postal Service filings for these Dockets shall herein be referred to as a unified filing (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

¹ Commission Order 493, Notice and Order Concerning Filing of Additional Global Expedited Package Services 2A Negotiated Service Agreement, July 20, 2010

the Notice itself. Furthermore, and most importantly, each pertinent element of 39 USC 3633(a) appears to be met by these Global Plus 2A contracts. Likewise, these NSAs comport with each of the requirements of 39 C.F.R. 3015.7(c) -- which amplifies 39 USC 3633(a). The Notice's request and justification also fulfill 39 CFR 3020 subpart B (3020.30 through 32).

Pricing, Cost Coverage and Contribution

Global Plus 2A contracts, as previous Global Plus products, are made with Postal Qualified Wholesalers (PQWs). Through Global Plus agreements, the Postal Service provides PQW customers with price-based incentives to commit to large amounts of mail volume or postage revenue for Global Bulk Economy and Global Direct products. The term of the instant agreements, rather than one year, is from August 1, 2010 through the day prior to the date of any change in the published rates for Qualifying Mail as defined in the Global Plus 2 A contracts. This change seems to ensure that adequate cost coverage will be maintained. The agreements also require minimum postage thresholds in IPA, ISAL, GBE, GD, EMI and PMI Qualifying Mail for the PQWs' shipments.

The contracts that are the subject of this docket are the immediate successors to agreements previously approved by the Commission for inclusion in the Global Plus 2 product category of the Mail Classification Schedule (in Docket Nos. CP2009-48 and CP2009-49).

The Postal Service requests that NSAs in the current Docket Nos. CP2010-69 and CP2010-70 be considered the new "baseline" contracts for future functional

equivalency analyses concerning the Global Plus 2 A product. July 13, 2010 Notice, at 2.

The Governors' Decision No. 08-10 establishes a shell classification, with price floor and ceiling formulae, and authorizes contracts whose prices fall within the price range. The Public Representative, after reviewing the materials under seal in this proceeding, acknowledges that the price floor and ceiling formulae proposed in the Governors' Decision No. 08-10 (July 16, 2008) comport with provisions of Title 39. The pricing shell provides that these contracts generate sufficient revenue to cover attributable costs for the Global Plus contract services, 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 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.

The NSAs filed in Docket Nos. CP2010-69 and CP2010-70 both manage to fall within the rubric of Governors' Decision 08-10, Global Plus 2 contracts, and would agree that these are functionally equivalent contracts. They also share similar market

² See 39 U.S.C. 3633.

and cost characteristics; despite any minor distinctions to predecessor Global Plus 2 contracts.

Observation on a Specific Contract Term

The Public Representative respectfully notes that, in the contracts memorializing these NSAs, Article 7, Obligations of the Mailer, “Tender location,” and in the accompanying Annexes to these contracts, “the USPS facility at the New Jersey International and Bulk Mail Center, 80 County Road, Jersey City, NJ 07097-9998,” is cited. These references should be updated to “Network Distribution Center” (NDC). See Docket No. MC2010-19, Commission Order 415 (March 2, 2010) approving a classification change reflecting new terminology: from “Bulk Mail Center” (BMC) to “Network Distribution Center” (NDC). The Postal Service indicated in that Docket that it was revising its regulations, updating the term in *Mailing Standards of the United States Postal Service*, the Domestic Mail Manual and other related manuals and publications, effective March 15, 2010. The Postal Service also noted therein that the term abbreviated as “BMC” will be revised in 39 CFR part 121, Service Standards for Market-Dominant Mail Products.

Conclusion

The shell classification first proposed in the Governors Decision 08-8, complies with all title 39 pricing provisions for Competitive Products. The instant Global Plus 1A contracts do likewise. As noted in Dockets CP2008-5 through CP2008-9, the Public Representative would respectfully caution that in the case of outbound international

service agreements, settlement costs (what the Postal Service pays to a foreign postal administration for delivery of mailpieces in destination countries) might negatively impact NSAs. Although the Postal Service took steps to cure this potential issue, the Public Representative encourages the Commission to continue to use its authority and influence to promote equitable settlement cost arrangements among members of the Universal Postal Union.

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

Paul L. Harrington
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6867; Fax (202) 789-6883
e-mail: paul.harrington@prc.gov