

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 3 (MC2010-28)
Negotiated Service Agreement

Docket Nos. CP2010-104

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO UNITED STATES
POSTAL SERVICE FILING OF AN ADDITIONAL GLOBAL EXPEDITED PACKAGE
SERVICES 3 NEGOTIATED SERVICE AGREEMENT

(September 10, 2010)

In response to Order No. 530¹, the Public Representative hereby comments on the September 1, 2010 Notice of United States Postal Service of an additional Functionally Equivalent GEPS 3 Negotiated Service Agreement, (NSA) with an individual mailer (Notice).

The Postal Service Notice is persuasive. The instant 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 GEPS-3 contract. Likewise, the instant NSA comports with each of the requirements of 39 C.F.R. 3015.7(c) -- which amplifies 39 USC 3633(a).

¹ Commission Order 530, Notice and Order Concerning Filing of An Additional Global Expedited Package Services 3 Negotiated Service Agreement, September 1, 2010

Pricing, Cost Coverage and Contribution

The GEPS NSA model provides volume-based incentives for a mailer sending large volumes of EMI and/or PMI to foreign addressees. The instant contract's pricing reflects appropriate increases in costs, yet still comports with the template in Governors' Decision 08-7 (May 6, 2008), which established the GEPS product. As noted by the Postal Service GEPS-2 agreements were approved by the Commission, establishing a new baseline. Ultimately this product was also approved in Docket Nos. MC2010-28 and CP2010-71. The Notice (at 4-5) 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 contracts. Through Docket Nos. MC2010-28 and CP2010-71, the Commission approved and added GEPS 3 to the competitive product list. In those Dockets, the Postal Service also requested to have the contract in Docket No. CP2010-71 serve as the baseline contract for future functional equivalence analyses of the GEPS 3 product. The Commission found that the GEPS 3 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, acknowledges that the pricing in the present *f* ~ GEPS 2 contract (CP2010-104) comports with relevant provisions of title 39. This contract appears to be able to generate sufficient revenue to cover the attributable service 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 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).