

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices	Docket Nos. CP2010-119
Global Expedited Package Services 3 (MC2010-28)	CP2010-120
Negotiated Service Agreement	CP2010-121
	CP2010-122
	CP2010-123
	CP2010-124
	CP2010-125

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

(October 7, 2010)

In response to Order No. 548¹, the Public Representative hereby comments on the September 28, 2010 Notice of the United States Postal Service of seven additional Functionally Equivalent GEPS 3 Negotiated Service Agreements, (NSAs) with individual mailers (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 these GEPS 3 contracts. Likewise, these NSAs comport with each of the requirements of 39 C.F.R. 3015.7(c) -- which amplifies 39 USC 3633(a).

¹ Commission Order 548, Notice and Order Concerning Filing of Seven Additional Global Expedited Package Services 3 Negotiated Service Agreements, September 30, 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 contracts' pricing reflect appropriate increases in costs, yet still comport 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 the GEPS 3 product was also approved in Docket Nos. MC2010-28 and CP2010-71. The Notice 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 3 contracts (CP2010-119 through -125) comport with relevant provisions of title 39. These contracts appear 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 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).