

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 3 (CP2010-71)
Negotiated Service Agreements

Docket No. CP2011-19

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO ORDER No. 562

(October 25, 2010)

Background

In response to Order No. 562¹, the Public Representative hereby comments on the October 14, 2010 Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal (Notice). Order No. 562 set the deadline for public comment of October 25, 2010.

Discussion

The instant negotiated service agreement (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. The requirements of 39 USC 3633(a) appear to be met by the instant GEPS 3 NSA. The NSA should satisfy each of the requirements of 39 C.F.R. 3015.7.

¹ Commission Order 562, Notice And Order Concerning Filing Of An Additional Global Expedited Package Services 3 Negotiated Service Agreement, October 15, 2010.

In the Notice, the Postal Service explains the instant NSA will replace the customer's previous NSA (CP2010-10). Notice at 3. The Public Representative anticipates the Commission will request CP2010-10 cost, revenue, and volume data for the contract year. The Commission has requested this data in previous dockets. See e.g. Order No. 542. The historic CP2010-10 data will aid in the assurance that GEPS products continue to meet the requirements of 39 USC 3633(a) and 39 C.F.R. 3015.7.

The GEPS 3 NSA model (CP2010-71) traditionally provides volume or revenue-based incentives for a mailer meeting certain volume or revenue commitments of Express Mail International and/or Priority Mail International to foreign addressees. The proposed MCS language for GEPS contracts in the Governors' Decision No. 08-7 Attachment A, describes the price categories as "incentives [that] are based on the volume commitment above a specified cost floor. Also, separate charges apply if the customer has labeling, harmonization, or return services." The instant contract fits within the proposed GEPS MCS language.

The instant contract reflects appropriate increases and adjustments to costs, with prices that are sufficient to satisfy the cost floor established in Governors' Decision 08-7 (May 6, 2008), which first established the GEPS product. The Notice outlines terms of the instant contract which were negotiated between the parties, and lists how the instant contract varies from the underlying GEPS NSA template (CP2010-71). Notice at 3-4. The Public Representative does not believe the differences listed result in the contract not being functionally equivalent to the baseline contract. The Postal Service should continue to update this list of differences as necessary in future notices to ensure the next new GEPS product can be established when appropriate.

Conclusion

The pricing present in the instant GEPS 3 NSA (CP2011-19) should satisfy all relevant provisions of title 39. The NSA appears to be able to generate sufficient revenue to cover attributable costs, which will aid in the GEPS 3 product as a whole in generating sufficient revenues to recover attributable costs and thus not be subsidized by market dominant products. The NSA will also assist competitive products as a whole to contribute a minimum of 5.5 percent of the Postal Service's total institutional costs. The contract employs pricing incentives based upon volumes or revenues and other provisions favorable to both the Postal Service and the mailer, which then may be passed along to the general public through lower shipping prices.

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

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