

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Parcel Return Service
Parcel Return Service Contract 2

Docket No. MC2011-6

Competitive Product Prices
Parcel Return Service Contract (MC2011-6)
Negotiated Service Agreement

Docket No. CP2011-33

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE REQUEST TO ADD
PARCEL RETURN SERVICE CONTRACT 2 NEGOTIATED SERVICE
AGREEMENT TO COMPETITIVE PRODUCT LIST

(November 30, 2010)

In response to Order No. 592,¹ the Public Representative hereby comments on the November 17, 2010 Request of the United States Postal Service to Add Parcel Return Service Contract 2 to Competitive Products List and Notice of Filing (Under Seal) (Request).

For a competitive products pricing schedule *not of general applicability*,² the Postal Service must demonstrate that the contract will comply with 39 USC 3633(a): It will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and enable competitive

¹ Commission Order 592, Notice and Order Concerning Filing of Parcel Return Service Contract Negotiated Service Agreement, November 19, 2010.

² See 39 C.F.R. 3015.5.

products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Notice [and its accompanying documentation (under seal)] is persuasive. Each element of 39 USC 3633(a) appears to be met by this Parcel Return Service (PRS) contract.

The Public Representative has accessed and reviewed all materials the United States Postal Service submitted under seal in this matter, documentation in its original (not redacted) version. Discussion of salient issues follows.

Accountability and Confidentiality

The Postal Service Request contains a rationale for maintaining confidentiality concerning pricing, processes which enable discounted pricing, the attendant formulae and other contractual terms which are matters of commercial sensitivity.³ Here, it would appear that the Postal Service has concisely justified the extent of confidentiality appropriate in this matter, providing a brief explanation for maintaining the confidentiality of each aspect of the matters remaining under seal.

The data under seal suggest that this PRS arrangement would reduce costs for both parties to the two-year agreement. The instant negotiated Service Agreement

³ Postal Service Notice, Attachment F. .

(NSA)'s predecessor (approved in Docket Nos. MC2009-1 and CP2009-2 CP2009-2), expired November 6, 2010 (extended to December 31 by Order 592). This Request provides for a two-year contract term, with a one-year optional third year.

The computations suggest that the data reflect precision and comply with title 39. The Postal Service proposed, and the Commission approved, developing mail processing and delivery costs for Parcel Post single-piece, Parcel Select and PRS using the In-Office Cost System (IOCS) and Carrier Cost Systems (CCS) and deriving transportation costs from the Transportation Cost System (TRACS).

Pricing, Cost Coverage and Contribution

The Public Representative acknowledges that the pricing for this PRS contract comports with pricing, cost coverage and contribution provisions of title 39.

The PRS NSAs are designed to help acquire new volume for the Postal Service, and provide incentives for the other party. These factors promote the value of this agreement to the Postal Service throughout the two-year life of the contract. Furthermore, on the anniversary of the effective date, prices under this contract will be adjusted. The pricing agreed to in these contracts appears to generate sufficient revenue to cover attributable costs for this parcel return service, 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.⁴ The mid-point price adjustment should keep this contract in line with title 39 requirements.

Conclusion

The Public Representative acknowledges that the pricing in the present PRS contract comports with provisions of title 39. This contract appears to be able to generate 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.⁵

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

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⁴ 39 C.F.R. 3015.7(c).

⁵ *Id.*