

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
GLOBAL RESELLER EXPEDITED PACKAGE CONTRACTS 1
(MC2010-21)
NEGOTIATED SERVICE AGREEMENT

Docket No.
CP2011-1

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING CHANGES IN
RATES NOT OF GENERAL APPLICABILITY AND APPLICATION FOR NON-PUBLIC
TREATMENT OF MATERIALS FILED UNDER SEAL**
(December 14, 2010)

In accordance with 39 C.F.R. § 3015.5 and Order No. 561,¹ the United States Postal Service (Postal Service) hereby gives notice of a change in rates not of general applicability for the contract that is the subject of this docket. As background, on October 15, 2010, the Postal Regulatory Commission (Commission) issued Order No. 561, adding the specific Global Reseller Expedited Package (GREP) contract that is the subject of this docket to the Global Reseller Expedited Package Contracts 1 product established in Docket No. MC2010-21.² In Order No. 561, the Commission stated that two provisions in the agreement that is the subject of this docket provide “the Postal Service with the flexibility to change rates without the need to enter into a new agreement.”³ One of the provisions, according to the Commission, “provides that if the non-discounted published postage for Express Mail International and Priority Mail International should change, the mailer’s prices may change unless the Postal Service

¹ PRC Order No. 561, Order Approving an Additional Global Reseller Expedited Package Contract Negotiated Service Agreement, Docket No. CP2011-1, October 15, 2010.

² *Id.* at 7.

³ *Id.* at 5-6.

notifies the reseller otherwise.”⁴ The Commission accordingly advised that “[r]ate changes not of general applicability are subject to a minimum 15-day notice requirement as provided in 39 CFR part 3015,” and stated that if such provisions are “exercised, the Postal Service must file the changed rates with the Commission under 39 CFR 3015.5.”⁵ The Commission stated that it would “review the revised prices for conformity with 39 U.S.C. 3633,” and that “[c]hanges in rates should be filed in Docket No. CP2011-1.”⁶

As a preliminary matter, the Postal Service notes that the wording of Order No. 561 is atypical, in that the Commission directed that a Part 3015 filing be made in the event that published rate changes underlie the changes in contract prices. To date, the Commission has not directed that the Postal Service file notices under Part 3015 to give effect to the nondiscretionary passthrough of published rate increases in customized agreements. The Postal Service believes that such filings are unnecessary, at least in cases where it is merely passing through published price increases to the reseller. Nonetheless, consistent with the explicit requirements in Order No. 561, the Postal Service hereby notifies the Commission of changes to the rates of the contract that is the subject of this docket that are intended to take effect January 2, 2011. These consist merely of the passthrough of published rate increases to coincide with the changes in published rates scheduled to take effect on January 2, 2011.

⁴ *Id.* at 5. The Commission was referring to the following sentence from paragraph 2 of Article 7 of the contract that is the subject of this docket: “In the event that the non-discounted published postage for these services should change, the prices in the Annexes will also change unless the USPS specifically notifies the Reseller in writing before the date of the change to the published prices for Express Mail International and/or Priority Mail International that the prices in Annex 1 and/or Annex 2 will not change.”

⁵ *Id.* at 6.

⁶ *Id.*

The rates and supporting documents establishing compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. With respect to those non-public materials, the Postal Service hereby incorporates its Application for Non-public Treatment, filed in conjunction with its October 1, 2010 notice, in this docket.

A redacted copy of the Governors' Decision establishing the classification is included as Attachment 1. The certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 2. Redacted versions of the supporting financial documents are included with this filing as separate Excel files.

For the reasons discussed above, the Postal Service has established that these new rates for the contract that is the subject of this docket are in compliance with the requirements of 39 U.S.C. 3633.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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December 14, 2010

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR GLOBAL RESELLER
EXPEDITED PACKAGE CONTRACTS (GOVERNORS' DECISION NO. 10-1)**

March 24, 2010

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Global Reseller Expedited Package contracts. The Global Reseller Expedited Package Contracts to which these prices will apply are described in Attachment A.¹ The price floor and price ceiling formulas are specified in Attachment B, and management's analyses of the appropriateness of these formulas are explained in Attachment C. We have reviewed those analyses and have concluded that the prices emerging from application of the formulas and the classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts that fall within the terms specified in Attachment A, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We have determined that prices established according to the formulas listed in Attachment B would be appropriate for the services covered by the types of Global Reseller Expedited Package Contracts classified in Attachment A. Management's analyses of the formulas, included as Attachment C support our decision to establish prices through such formulas.

¹ Because the Postal Service is creating a new grouping for Global Reseller Expedited Package Contracts, entirely new Mail Classification Schedule language is proposed.

We are satisfied that the prices established by the formulas in Attachment B meet the applicable statutory and regulatory requirements. The price floor formulas provide greater than 100 percent coverage of the costs attributable to each of these types of agreements and to the optional service. We accept and rely upon the certification in Attachment D that the correct cost inputs for the formulas have been identified. In addition, the price floor formulas [REDACTED] [REDACTED] should cover attributable costs and provide a contribution toward the Postal Service's institutional costs. The formulas should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment D, entry into agreements or provision of optional services pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement or provision of the optional services authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 C.F.R. § 3015.5 and any other rules that the Commission deems applicable. The notice must include a financial analysis that demonstrates that the agreement and optional services cover attributable costs, [REDACTED] [REDACTED] Attachment B. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement are appropriate, in that they represent the best available information and that the agreement should not result in a cross-subsidy from market dominant products and should not impair the ability of competitive products, as a whole, to cover an appropriate share of institutional costs.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Global Reseller Expedited Package Contracts, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within the formulas set by this Decision and the

certification process specified herein is followed. After an authorized agreement is executed, the Postal Service shall comply with all applicable statutory and regulatory requirements.

Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read "Lou Giuliano", written over a horizontal line.

Louis J. Giuliano
Chairman

Attachment A

Description of Applicable Global Reseller Expedited Package Contracts

2610.11 Global Reseller Expedited Package Contracts

2610.11.1 Description

- a. These are contracts whereby USPS provides discounted prices to a Reseller for Express Mail International (EMI), and/or Priority Mail International (PMI) for destinations served by Express Mail International and Priority Mail International. The Reseller offers rates based on its contract to its customers (Reseller's Customers).
- b. Preparation requirements are the same as for all Express Mail International and/or Priority Mail International shipments with the following exceptions:
 - The Reseller's customers are required to use PC Postage from an authorized PC Postage vendor for payment of postage.
 - The Reseller's customers may be required to prepare specific shipments according to country specific requirements.
 - The Reseller's customers may be required to tender shipments through limited acceptance channels.
- c. The Reseller must be capable of either tendering at least 5,000 pieces of international mail to the Postal Service, or paying at least \$100,000 in international postage to the Postal Service.
- d. For a Reseller to qualify, the contract must cover its attributable costs.

2610.11.2 Size and Weight Limitations

Size and Weight for Express Mail International:

See Size and Weight Limitations for Express Mail International, at 2205.2.

Size and Weight for Priority Mail International:

See Size and Weight Limitations for Outbound Priority Mail International, at 2215.2.

2610.11.3 Minimum Volume or Revenue Requirements

The Reseller must commit to varying minimum volumes or postage of Express Mail International, Priority Mail International or both, on a quarterly or annualized basis.

2610.11.4 Price Categories

The incentives are based on the volume or revenue commitment above a specified cost floor

Global Reseller Expedited Package Contracts – Express Mail International

Global Reseller Expedited Package Contracts – Priority Mail International

2610.11.5 Optional Features

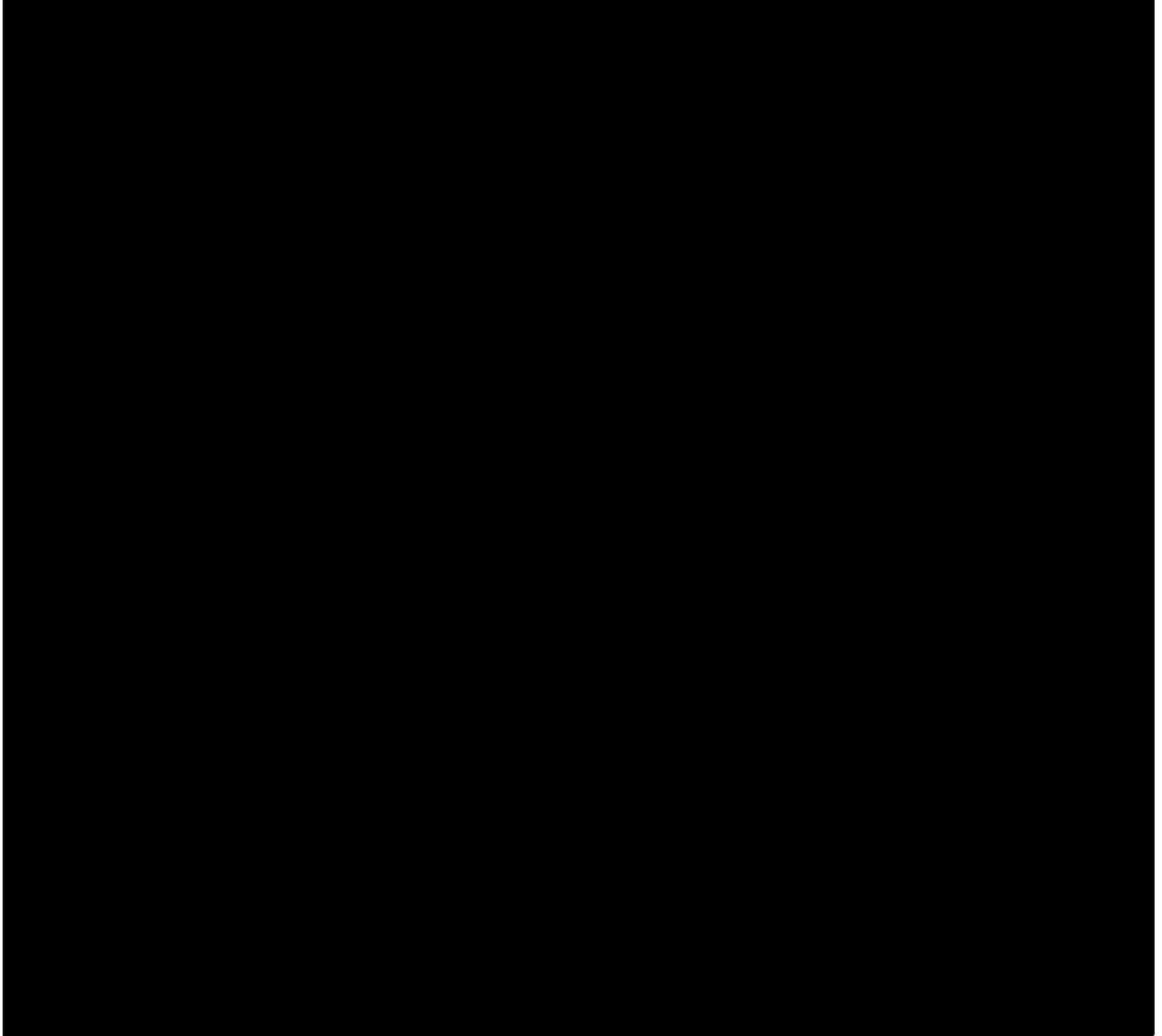
Pickup On Demand

International Ancillary Services

- International Certificate of Mailing (PMI flat-rate envelope only)
- International Insurance
- International Registered Mail (PMI flat-rate envelope only)
- International Restricted Delivery (PMI flat-rate envelope only)
- International Return Receipt

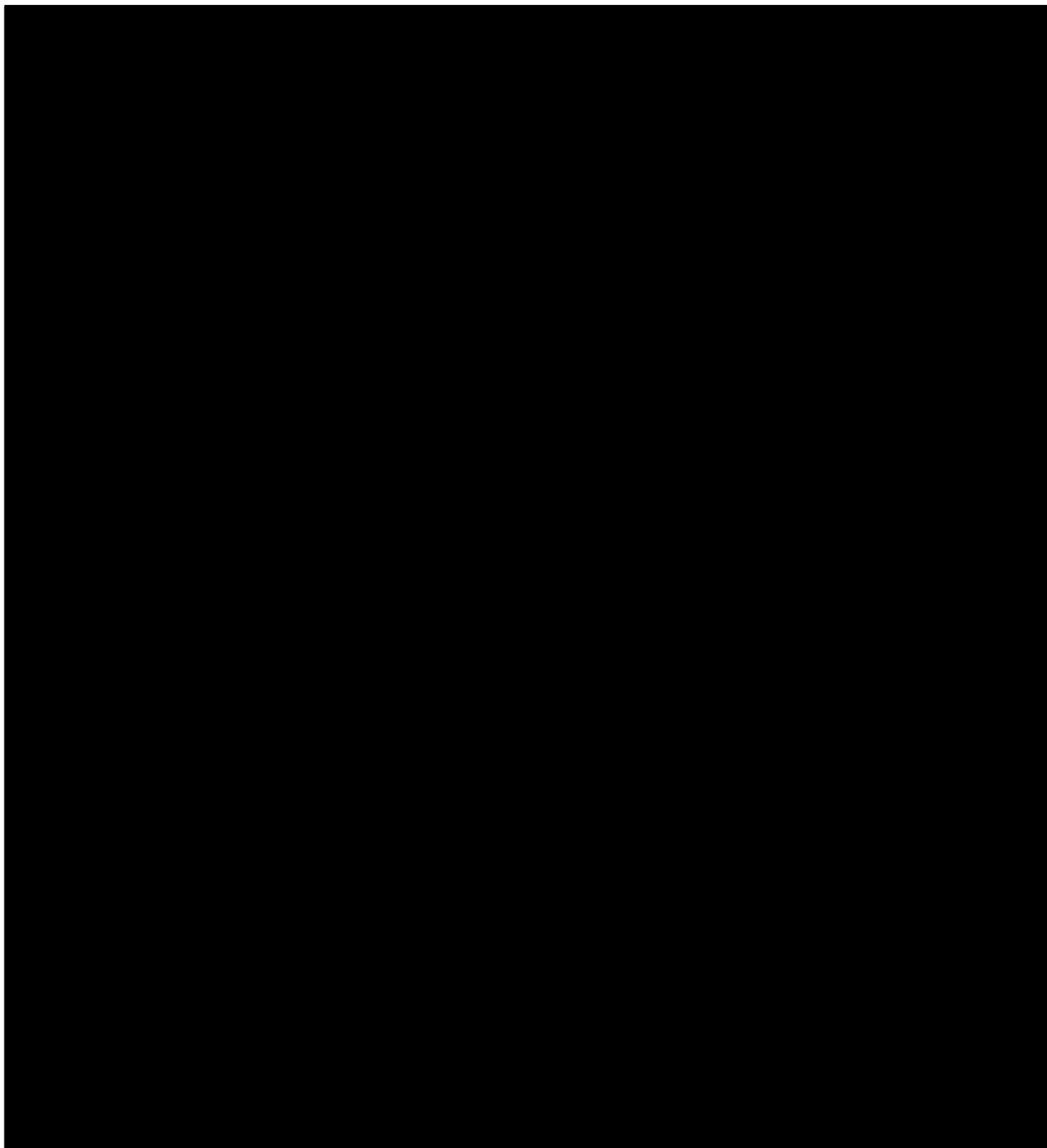
Attachment B

**Formulas for Prices Under Applicable Global Reseller Expedited Package
Contracts**



Attachment C

**Analysis of the Formulas for Prices Under Applicable Global Reseller Expedited
Package Contracts**





Attachment D

Certification as to the Formulas for Prices Offered Under Applicable Global Reseller Expedited Package Contracts

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the price floor formulas and price ceiling formulas for Global Reseller Expedited Package Contracts, which are set forth in Attachment B.

I hereby certify that these formulas adequately represent all necessary cost elements. If the Postal Service were to enter into agreements and offer services that set prices above the price floors, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formulas are designed to ensure that each agreement and service should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Reseller Expedited Package Contracts should be much smaller. Even if all the agreements for Global Reseller Expedited Package are signed at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Joseph Moeller

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 10-1**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-1, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



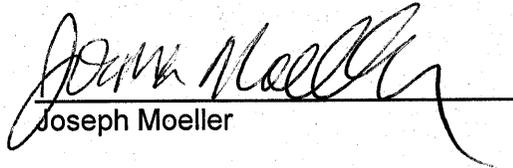
Julie S. Moore
Secretary of the Board of Governors

Date: 3-24-10

Certification of Prices for the Global Reseller Expedited Package Contract with [REDACTED]

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Reseller Expedited Package Contract with [REDACTED]. The prices contained in this Contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Reseller Expedited Package Contracts, issued March 24, 2010 (Governors' Decision No. 10-1), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of in excess of the minimum required by the Governors' Decision, exclusive of pickup on demand and international ancillary services fees, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Reseller Expedited Package Contracts should be even smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Joseph Moeller