

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1B Contracts (MC2011-7)
Negotiated Services Agreements

Docket Nos. MC2011-7
CP2011-39
CP2011-40

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE FILING OF
FUNCTIONALLY EQUIVALENT GLOBAL PLUS 1B CONTRACTS
-- NEGOTIATED SERVICE AGREEMENTS

(December 22, 2010)

In response to Order No. 607¹, the Public Representative hereby comments on the December 9, 2010 Notice of United States Postal Service of Functionally Equivalent Global Plus 1B Contracts 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 Global Plus 1B contracts. Likewise, these NSAs comport with each of the requirements of 39 C.F.R. 3015.7(c) -- which amplifies 39 USC

¹ Commission Order 607, Notice and Order Concerning Filing of Global Plus 1B Contracts Negotiated Service Agreement, December 13, 2010

3633(a). The Notice's request and justification also fulfill 39 CFR 3020 subpart B (3020.30 through 32).

Pricing, Cost Coverage and Contribution

Through Global Plus agreements, the Postal Service provides large-volume mailers with price-based incentives to commit to large amounts of mail volume or postage revenue for International Priority Airmail (IPA), International Surface Air Lift (ISAL), Express Mail International (EMI), and Priority Mail International (PMI). Mailers must prepare the mailings in accordance with the requirements of the contracts and must tender the mail to the Postal Service at the specific acceptance units listed.

The instant contracts are the immediate successors to agreements previously approved by the Commission for inclusion in the Global Plus 1A product category of the Mail Classification Schedule. (Docket Nos. CP2010-67 and CP2010-68) Those Global Plus 1A NSAs are scheduled to expire at 11:59 p.m. on the day prior to the date of any change in the published rates that affect the qualifying mail (as defined in the contract) in the agreement. The change in rates for Express Mail International and Priority Mail International is expected to occur on January 2, 2011. The instant contracts are designed to commence January 2, 2011, and expire "at 11:59 p.m. on the day prior to the day of any change in the published rates that affect the qualifying mail subject to the contracts in the month of January 2012." Order, at 2, Notice at 4-5.

The Postal Service requests that the NSAs in the current Docket Nos. CP2011-39 and CP2011-40 be considered the new “baseline” contracts for future functional equivalency analyses concerning the Global Plus 1B product. Notice, at 3-4.

The Governors’ Decision establishes a shell classification, with price floor and ceiling formulae, and authorizes contracts whose prices fall within the price range. The Public Representative, after reviewing the materials under seal in this proceeding, acknowledges that the price floor and ceiling formulae proposed in the Governors’ Decision No. 08-8 (May 28, 2008) comport with provisions of Title 39. The pricing shell provides that these contracts generate sufficient revenue to cover attributable costs for the Global Plus contract services, 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 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.

The NSAs filed in Docket Nos. CP2011-39 and CP2010-40 both manage to fall within the rubric of Governors’ Decision 08-8, Global Plus contracts, and it would appear that these are functionally equivalent contracts. They also share similar market and

² See 39 U.S.C. 3633.

cost characteristics; despite any minor distinctions to predecessor Global Plus 1A contracts.

Conclusion

The shell classification first proposed in the Governors Decision 08-8, complies with all title 39 pricing provisions for Competitive Products. The instant Global Plus 1B contracts do likewise. This Public Representative would once again respectfully caution that in the case of outbound international service, settlement costs (what the Postal Service pays to a foreign postal administration for delivery of mailpieces in destination countries) might negatively impact efforts to cover the costs of providing outbound service. Although in the instant NSAs the Postal Service took steps to cure this potential issue, the Public Representative encourages the Commission to continue to use its authority and influence to promote equitable settlement cost arrangements among members of the Universal Postal Union.

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

Paul L. Harrington
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6867; Fax (202) 789-6883
e-mail: paul.harrington@prc.gov