

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman;
Dan G. Blair;
Tony L. Hammond; and
Nanci E. Langley

Competitive Product Prices
Global Expedited Package Services Contracts
Non-published Rates 2 (MC2010-29)

Docket No. CP2011-45

ORDER ADDING GLOBAL EXPEDITED PACKAGE
SERVICES–NON-PUBLISHED RATES 2
TO THE COMPETITIVE PRODUCT LIST

(Issued December 30, 2010)

I. INTRODUCTION

Pursuant to 39 CFR 3015.5, the Postal Service filed notice of a change in Global Expedited Package Services–Non-published Rates 1 (GEPS–NPR 1) to be effective January 2, 2011.¹ It requests that GEPS–NPR 2 be added to the competitive products list of the Mail Classification Schedule. *Id.* at 6. As discussed below, the Commission approves that request.

¹ Notice of the United States Postal Service Concerning Global Expedited package Services–Non-Published Rates and Application for Non-Public Treatment of Materials Filed Under Seal, December 15, 2010 (Notice).

II. POSTAL SERVICE FILING

In support of its Notice, the Postal Service filed four attachments as follows:

- Attachment 1—an application for non-public treatment of materials filed under seal;
- Attachment 2—a redacted copy of Governors’ Decision No. 10–7 which establishes prices and classifications for GEPS–NPR 2 contracts;²
- Attachment 3—a redacted copy of the model agreement; and
- Attachment 4—an updated financial model for GEPS–NPR 2.

As background, the Postal Service notes that the GEPS–NPR 1 product, which was approved by the Commission November 22, 2010, offers incentive pricing to small and medium-size businesses capable of mailing at least \$50,000 in international postage and commit to use Express Mail International (EMI) and Priority Mail International (PMI) products at minimum levels of revenue.³ Subsequently, on December 2, 2010, the Commission approved the new rates for EMI and PMI, which become effective January 2, 2011.⁴ Notice at 2. Consequently, as the Postal Service notes, “[b]ecause the rates for GEPS–NPR are based on the published rates for EMI and PMI, when those rates change, the rates for GEPS–NPR must also change.” *Id.*

The Postal Service indicates that the GEPS–NPR 2 product differs from GEPS–NPR 1 in four respects. First, it expands the definition of “qualifying mail “under the agreement to include EMI and PMI flat rate envelopes and small flat rate boxes. *Id.*

² The Governors’ Decision has three attachments: Attachment A, management’s analysis of the pricing methodology underlying GEPS–NPR 2 contract rate; Attachment B, redacted schedule of minimum and maximum GEPS–NPR 2 rates; and Attachment C, certification of compliance with 39 U.S.C. 3633(a).

³ Docket Nos. MC2010-29 and CP2010-72, Order Approving Postal Service Request to Add Global Expedited Package Services–Non-Published Rates 1 to the Competitive Product List, November 22, 2010 (Order No. 593).

⁴ Docket No. CP2011-26, Order Approving Changes in Rates of General Applicability for Competitive Products, December 2, 2010 (Order No. 603).

at 3. Revenues associated with the use of these products will apply to the mailer's contractual revenue commitment. The change is designed to promote the use of Postal Service international letter post products without negatively affecting cost coverage for GEPS contracts. *Id.*

The second change requires mailers using a designated PC postage provider to file one of two approved Postal Service forms or a functional equivalent with its mailings to improve revenue accountability. *Id.* at 3-4.

The third change expands the number of country groups for EMI and PMI from 10 to 17, a classification change noted in Order No. 603. This change is incorporated into the financial models used to generate the GEPS–NPR 2 rates. *Id.* at 4.

Lastly, the rates differ from those in GEPS–NPR 1 to reflect the new EMI and PMI published rates approved in Docket No. CP2011-26. *Id.* at 4.

III. COMMISSION ANALYSIS

The Postal Service's filing presents two issues: (1) whether GEPS–NPR 2 should be added to the competitive product list;⁵ and (2) whether the rates pursuant to the methodology underlying the GEPS–NPR 2 product satisfy 39 U.S.C. 3633(a) and 39 CFR part 3015.

Filing under part 3020. In this proceeding, the Postal Service seeks to add a new product to the competitive product list. Requests by the Postal Service to add a new product to the product list are to be filed pursuant to 39 CFR 3020.30 *et seq.* The instant filing was submitted pursuant to part 3015 only. Nonetheless, the omission is not disqualifying as the Commission recently addressed that issue as relates to GEPS-NPR 1. See Order No. 593, *supra*. Future filings requesting the addition of a new GEPS–NPR product should be submitted as a request and be filed pursuant to

⁵ GEPS–NPR 2 is the successor to GEPS–NPR 1, which, in Order No. 593, was classified as a competitive product. The changes identified by the Postal Service do not require reconsideration of that determination.

rule 3020.30 *et seq.*⁶ Based on a review of the instant filing and the supporting justification filed in Docket Nos. MC2010-29 and CP2010-72, the Commission approves the Postal Service's request to add GEPS–NPR 2 to the competitive product list.⁷

Cost considerations. The Postal Service indicates that “[a]ll of the provisions that link to the financial models to generate customer-specific pricing tables remain unchanged from the model contract submitted to the [Commission] in support of the Postal Service's request to add GEPS—NPR to the MCS.” *Id.* The Postal Service affirms that prices set pursuant to the methodology underlying GEPS–NPR 2 product would be in compliance with 39 U.S.C. 3633(a). *Id.*, Attachment 2 at Attachment C. *See also, id.*, Attachment 2 at 1. (“We have reviewed management's analysis and have concluded that the prices in Attachment B emerging from application of the methodology are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7.”)

Based on a review of the data submitted in support of the GEPS–NPR 2 rates, the Commission finds that the rates for GEPS–NPR 2 contracts should cover their attributable costs (39 U.S.C. 3633(a)(2)), should not lead to the subsidization of competitive products by market dominant products (39 U.S.C. 3633(a)(1)), and should have a positive effect on competitive products' contribution to institutional costs (39 U.S.C. 3633(a)(3)).

⁶ Reliance on supporting justification submitted in Docket Nos. MC2010-29 and CP2010-72 is acceptable, assuming the justification remains accurate.

⁷ The Postal Service indicates that no customer contracts will be filed under the GEPS–NPR 1 product. *Id.* at 4. Consequently, the Commission will remove GEPS–NPR 1 from the competitive product list.

IV. ORDERING PARAGRAPHS

It is ordered:

1. Global Expedited Package Services–Non-published Rates 2 (MC2010-29 and CP2011-45) is added to the competitive product list as a new product as discussed in the body of this Order.
2. Changes in rates due to changes to the model contract and/or changes to the financial model must be approved in advance by the Commission pursuant to 39 CFR part 3015.
3. When there is a change in rates or classifications of general applicability that affects more than the input sheet of the financial model, the Postal Service shall file a request pursuant to 39 CFR part 3015 and include a complete updated model.
4. A copy of each contract along with the financial model inputs used to generate rates for each contract must be filed with the Commission within a reasonable time, *e.g.*, within 10 days of the effective date of the contract.
5. Whenever the Postal Service notifies a mailer of a change in rates pursuant to Article 14 of the model contract, the Postal Service shall file with the Commission a copy of the notice along with the financial model inputs used to generate the new rates.
6. The Postal Service shall notify the Commission of the effective date of each contract. If any of the contracts terminates earlier than scheduled, the Postal Service shall inform the Commission prior to the new termination date.

7. Within 30 days of the expiration of each contract, the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group associated with that contract, including any penalties paid.
8. The Secretary shall arrange for the publication in the *Federal Register* of an updated product list reflecting the change made in the body of this Order.

By the Commission.

Shoshana M. Grove
Secretary

CHANGE IN MAIL CLASSIFICATION SCHEDULE
CHANGE IN PRODUCT LIST

The following material represents changes to the product list codified at 39 CFR Appendix A to Subpart A of Part 3020—Mail Classification Schedule. These changes are in response to Docket No. CP2011-45. The Commission uses two main conventions when making changes to the product lists. The addition of text is indicated by underscoring. Deleted text is indicated by a strikethrough.

PART B—Competitive Products

2000 Competitive Product List

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Negotiated Service Agreements

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Outbound International

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~~Global Expedited Package Services–Non-published Rates 1 (MC2010-29
and CP2010-72)~~

Global Expedited Package Services–Non-published Rates 2 (MC2010-29
and CP2011-45)

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