

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
International Business Reply Service Competitive
Contract 3
Negotiated Service Agreements

Docket Nos. MC2011-21
CP2011-59

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO
UNITED STATES POSTAL SERVICE NOTICE CONCERNING FILING OF
INTERNATIONAL BUSINESS REPLY SERVICE COMPETITIVE CONTRACT 3
NEGOTIATED SERVICE AGREEMENT

(February 22, 2010)

In response to Order No. 674,¹ the Public Representative hereby comments on the February 11, 2011 Request (hereafter "Notice") of the United States Postal Service to add International Business Reply Service (IBRS) Competitive Contract 3 to the competitive product list and to announce that it has entered into an additional IBRS contract which is the successor to an IBRS 2 contract.²

The Postal Service requests that the instant contract be deemed the new baseline agreement for functional equivalency analyses of the IBRS product. The Postal Service maintains that the instant contract is basically the same as the IBRS contracts filed previously.

¹ Notice and Order Concerning Filing of International Business Reply Service Competitive Contract 3 Negotiated Service Agreement February 16, 2011.

² Request of the United States Postal Service to Add International Business Reply Service Competitive Contract 3 to the Competitive Products List and Notice of Filing on Contract (Under Seal), February 11, 2011 (Request).

1. DISCUSSION

United States Postal Service requests to add International Business Reply Service (IBRS) Competitive Contract 3 to the competitive product list and to announce that it has entered into an additional IBRS contract. The Public Representative has examined all the documents including the unredacted worksheets the USPS submitted under seal regarding this International Business Reply Service (IBRS) Competitive Contract 3. It appears this instant IBRS Competitive Contract 3 covers attributable costs and would not be cross subsidized by market dominant products. These costs include terminal dues settlement charges and mail processing, delivery, and domestic transportation costs computed from the International Cost and Revenue Analysis (ICRA). There are also IBRS cost and exchange rate contingency cost adjustments that appear to be sufficient for uncertainty.

2. ACCOUNTABILITY AND CONFIDENTIALITY

The Notice contains a foundation for maintaining confidentiality concerning pricing, methods which enable discounted pricing, the attendant formulae and other contractual terms which are matters of commercial sensitivity. It appears that the USPS 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 instant International Business Reply Service (IBRS) Competitive Contract classification is based upon a formula approved by the Board of Governors, in which cost coverage is defined by a ratio between total contract revenue and total contract cost. This, in turn, is capped at a percentage demonstrated to comply with title 39 provisions.

For a competitive product pricing schedule *not of general applicability*,³ the USPS must demonstrate that the contract will be in compliance 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 products

³ See 39 CFR 3015.5.

as a whole to cover their costs (contributing a minimum of 5.5 percent to the USPS's total institutional costs). The USPS appears to meet that burden.

3. CONCLUSION

It appears that the present International Business Reply Service (IBRS) Competitive Contract 3 is consistent with applicable title 39 and 39 CFR provisions. They will not allow market dominant products to subsidize competitive products; they will ensure that each competitive product covers its attributable costs; and enable competitive products as a whole to cover their costs as well as contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. The Postal Service request also fulfills all relevant requirements for Commission Rules of Practice and Procedure.

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

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