

Before the  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates

Docket No. MC2012-4

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates 3 (MC2012-4)

Docket No. CP2012-8

PUBLIC REPRESENTATIVE COMMENTS

(January 6, 2012)

**Introduction**

In response to Order 1073,<sup>1</sup> the Public Representative hereby comments on the December 20, 2011 United States Postal Service Request to Add Global Expedited Package Services – Non-Published Rates 3 (GEPS-NPR 3) to the Competitive Product List (Request).

This proposed contract's documentation is persuasive. Each pertinent element of 39 U.S.C. 3632, 3633, and 3642 appears to be met by this contract. Furthermore, the contract is consistent with policies in 39 CFR part 3015 and 39 CFR 3020 subpart B.

**Comments**

This is the third GEPS-NPR product to fall under the GEPS-NPR Group. Well over 100 individual contracts have been filed under GEPS-NPR 2. The 2011 Annual Compliance Report indicates that the GEPS-NPR 2 product has provided millions of

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<sup>1</sup> Commission Order 1073, Notice and Order Concerning Addition of Global Expedited Package Services – Non-Published Rates 3 (GEPS-NPR 3) to the Competitive Product List, December 20, 2011.

dollars in contribution to the Postal Service.<sup>2</sup> The GEPS-NPR 3 product is very similar to GEPS-NPR 2 and is likely to result in the continued profitability of the product group. There are two substantial differences between GEPS-NPR 2 and GEPS-NPR 3, which are discussed below.

The first substantial difference between GEPS-NPR 3 and its predecessors is that it allows customers to receive discounted Global Express Guaranteed prices. The current GEPS-NPR products under the GEPS-NPR Group consists of contracts that only provide two services: Express Mail International (EMI) and Priority Mail International (PMI). In Docket No. RM2011-8 the Postal Service provided revisions to the GEPS-NPR Group, which included the addition of GXG to the GEPS-NPR Group.<sup>3</sup> The Commission has not yet incorporated the Postal Service's proposed revisions into the Mail Classification Schedule (MCS). However, in the Postal Service's instant Request it included a request for the addition of GXG to GEPS-NPR product group as a minor classification change. Request at 8.

The instant contract's workpapers indicate that the proposed GXG discounts provide lower rates to customers, while providing contribution to the Postal Service. Therefore, the addition of GXG to the GEPS-NPR 3 enhances the product's ability to meet the requirements of 39 U.S.C. 3633(a). The Public Representative supports the addition of GXG to the GEPS-NPR product group.

The second substantial change between GEPS-NPR 2 and GEPS-NPR 3 is the minimum revenue requirement has increased from \$50,000 to \$200,000, a 300 percent increase. This change will limit the number of small and medium sized businesses who may seek to enter into a GEPS-NPR 3 contract. This increased revenue limit may also lead to current customers to no longer be able to meet the new higher revenue requirement. In the Management's Analysis filed in Attachment 2C to the Request, management explains that customers who agree to tender a minimum of \$100,000 in

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<sup>2</sup> See Docket No. ACR2011, USPS-FY11-NP2, file: NSA Summary (Booked).xls

<sup>3</sup> See Attachment 2B to the Request, December 20, 2011.

GXG, PMI, and EMI postage can receive Commercial Plus Pricing, which offers published discounts of up to 17 percent for GXG, up to 15 percent for EMI, and up to 10 percent for PMI. The Postal Service has not provided a discussion of options for current customers who send between \$50,000 and \$99,999 in postage. The Commission should consider the impact of this change on small businesses in its review of GEP-NPR 3. However, this higher minimum revenue requirement should not prevent GEPS-NPR from meeting the requirements of 39 U.S.C. 3633(a).

### **Conclusion**

GEPS-NPR 3 is expected to comport with each of the requirements of 39 CFR 3015.7(c). For a competitive products pricing schedule not of general applicability,<sup>4</sup> the Postal Service demonstrates that the contract should be in compliance with 39 U.S.C. 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 it will enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Public Representative expects that the pricing in the instant GEPS-NPR product will meet the provisions of 39 U.S.C 3633(a). The Public Representative also expects that the inclusion of GXG in GEPS-NPR 3 will enhance the product's ability to meet the requirements of 39 U.S.C. 3633(a). The Public Representative recommends the approval of GEPS-NPR 3.

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<sup>4</sup> See 39 CFR 3015.5.

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