

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Product Prices
Parcel Select
Parcel Select Contract 1

Docket No. MC2012-16

Competitive Product Prices
Parcel Select Contract 1 (MC2012-16)
Negotiated Service Agreement

Docket No. CP2012-23

ORDER ADDING PARCEL SELECT
CONTRACT 2 TO THE COMPETITIVE PRODUCT LIST

(Issued May 22, 2012)

I. INTRODUCTION

The Postal Service seeks to add a new product identified as Parcel Select Contract 2 to the competitive product list.¹ For the reasons discussed below, the Commission approves the Request.

¹ Request of the United States Postal Service to Add Parcel Select Contract 1 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 7, 2012 (Request). The Request supersedes a similar filing submitted May 4, 2012. See Notice of the United States Postal Service of Filing Errata to Request and Notice, filed May 7, 2012. While the Postal Service requested to add Parcel Select Contract 1 to the competitive product list, the Commission noted that a Parcel Select Contract 1 already existed. Thus, the Commission renamed the proposed new product Parcel Select Contract 2. See Notice and Order Concerning Request to Add Parcel Select Contract 2 to the Competitive Product List, May 8, 2012 (Order No. 1335). No participant commented on the name change.

II. BACKGROUND

On May 7, 2012, in accordance with 39 U.S.C. 3642 and 39 CFR 3020.30 *et seq.*, the Postal Service filed the Request, along with supporting documents. In the Request, the Postal Service asserts that Parcel Select Contract 2 is a competitive product, and one that is “not of general applicability” within the meaning of 39 U.S.C. 3632(b)(3). Request at 1. The Postal Service further asserts that the prices and classification underlying the contract are supported by Governors’ Decision No. 11-6.² Among the supporting documents, the Postal Service included a statement supporting the Request, a certification of compliance with 39 U.S.C. 3633(a), a copy of Governors’ Decision 11-6, and a contract related to the proposed new product. In addition, the Postal Service submitted an application for non-public treatment of materials to maintain redacted portions of the contract, customer-identifying information, and related financial information filed under seal. *Id.*, Attachment F.³

On May 8, 2012, the Commission issued an order establishing the two dockets, appointing a Public Representative, and providing interested persons with an opportunity to comment. Order No. 1335.

III. COMMENTS

The Public Representative filed comments on May 17, 2012.⁴ No other interested person submitted comments. The Public Representative states that she has reviewed the Request, supporting documentation, and supporting financial models.

² Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-published Competitive Rates, March 22, 2011 (Governors’ Decision No. 11-6).

³ In its application for non-public treatment of materials, the Postal Service asks the Commission to protect customer-identifying information from public disclosure indefinitely. Request, Attachment F at 7. The Commission has consistently denied similar requests. *See, e.g.*, Docket Nos. MC2011-1 and CP2011-2, Order No. 563, Order Approving Express Mail Contract 9 Negotiated Service Agreement, October 20, 2010, at 6-7.

⁴ Public Representative Comments, May 17, 2012 (PR Comments).

Id. at 2. The Public Representative notes that the instant contract will remain in effect for 7 years, which is a much longer term than previous contracts. However, she states that the terms in the contract, which adjust prices periodically to account for large changes in costs, will maintain the contract's ability to meet the requirements of 39 U.S.C. 3633(a) over its entire term. She also acknowledges that the Postal Service is responsible for filing costs, revenues, and volumes data in each year's Annual Compliance Report, which will enable the Commission to ensure that the requirements of 39 U.S.C. 3633(a) continue to be met. *Id.*

The Public Representative concludes that the Parcel Select Contract 2 satisfies the relevant statutory criteria and contains provisions favorable to both the Postal Service and the public. *Id.*

IV. COMMISSION ANALYSIS

The Commission has reviewed the Request, the instant contract, the supporting data filed under seal, and the Public Representative's comments.

Product list requirements. The Commission's statutory responsibilities when evaluating the Request entail assigning Parcel Select Contract 2 to either the market dominant or competitive product list. See 39 U.S.C. 3642(b)(1); 39 CFR 3020.30(d). In addition, the Commission must consider the availability and use of private sector enterprises engaged in delivering the product, the views of those who use the product, and the likely impact on small business concerns. See 39 U.S.C. 3642(b)(3); 39 CFR 3020.30(f),(g), and (h).

The Postal Service asserts that it provides Parcel Select Service in a highly competitive market, that other shippers who provide similar services constrain its bargaining position, and that it can therefore neither raise prices nor decrease service, quality, or output without risking the loss of business to competitors. Request, Attachment D at 2. The Postal Service affirms that the contract partner supports the Request, that expedited shipping is widely available from private firms, and that it is

unaware of any small business concerns that could offer comparable services to the contract partner. *Id.* at 3.

Having considered the relevant statutory and regulatory requirements and the Postal Service's supporting justification, the Commission finds that the Parcel Select Contract 2 is appropriately classified as competitive and added to the competitive product list.

Cost considerations. Because Parcel Select Contract 2 is a competitive product with rates or classes that are "not of general applicability", the Postal Service must also show that the contract covers its attributable costs, contributes to the Postal Service's institutional costs, and does not cause any market dominant products to subsidize competitive products. 39 U.S.C. 3632(b)(3), 3633(a), and 39 CFR 3015.5.

The Postal Service has submitted a certified statement, along with supporting revenue and cost data, which demonstrates that the instant contract satisfies the statutory and regulatory requirements. The Public Representative concurs. PR Comments at 2. The Commission finds that Parcel Select Contract 2 complies with the provisions applicable to rates for competitive products.

Other considerations. By its terms, the contract becomes effective on the later of the date on which the Commission issues all necessary regulatory approvals, or June 1, 2012. Request, Attachment B at 6. It expires on May 31, 2019 unless, among other things, either party terminates the agreement with 6 months' written notice to the other party. *Id.*

If the instant contract is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days after the instant contract terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by rate category and weight associated with the contract.

In conclusion, the Commission approves Parcel Select Contract 2 as a new product. The revision to the competitive product list appears below the signature of this Order and is effective immediately.

It is ordered:

1. Parcel Select Contract (MC2012-16 and CP2012-23) is added to the competitive product list as a new product under Negotiated Service Agreements, Domestic. The revision to the competitive product list appears below the signature of this Order and is effective immediately.
2. The Postal Service shall notify the Commission if the instant contract ends prior to the scheduled expiration date as discussed in this Order.
3. Within 30 days after the instant contract terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by rate category and weight associated with the Agreement.
4. The Secretary shall arrange for publication in the *Federal Register* of an updated product list reflecting the change made in 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 in Appendix A to 39 CFR part 3020, subpart A—Mail Classification Schedule. These changes reflect the Commission’s order in Docket Nos. MC2012-16 and CP2012-23. The Commission uses two main conventions when making changes to the product list. New text is underlined. Deleted text is struck through.

Part B—Competitive Products

2000 Competitive Product List

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Negotiated Service Agreements

Domestic

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Parcel Select Contract 2

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