

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

Before Commissioners:

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

Competitive Product Prices  
Express Mail & Priority Mail  
Contract 11 (MC2013-1)  
Negotiated Service Agreement

Docket No. CP2013-1

ORDER CONCERNING AMENDMENT TO EXPRESS MAIL & PRIORITY MAIL  
CONTRACT 11 NEGOTIATED SERVICE AGREEMENT

(Issued February 28, 2013)

I. INTRODUCTION

The Postal Service proposes an amendment to Express Mail & Priority Mail Contract 11.<sup>1</sup> For the reasons discussed below, the Commission approves the proposed Amendment.

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<sup>1</sup> Notice of United States Postal Service of Amendment to Express Mail & Priority Mail Contract 11, With Portions Filed Under Seal, February 13, 2013 (Notice). The Amendment is attached to the Notice (Amendment).

In Order No. 1509, the Commission approved Express Mail & Priority Mail Contract 11.<sup>2</sup> On February 13, 2013, the Postal Service filed notice that it has agreed to an amendment to the existing Express Mail & Priority Mail Contract 11. The Amendment changes the definition of the term “Contract Quarters” to provide that the first contract quarter begins on October 1 rather than July 1. Notice, Attachment A at 1. The Postal Service asserts that the Amendment will not affect the expected cost coverage of the Agreement. *Id.* at 1.

The Postal Service intends for the Amendment to become effective on the day after the date that the Commission completes its review of the Notice. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>3</sup> No other interested person submitted comments.

The Public Representative disagrees with the Postal Service’s conclusion that the Amendment will not affect the expected cost coverage for the Agreement. *Id.* at 2. He asserts that the amendment allows the contract partner to benefit from lower rates longer than would have been the case without the Amendment because “the original contract calls for a price increase on or about July 1, 2013” and the amended contract would require a price increase in October 2013. *Id.* The Public Representative believes that the Postal Service has not provided the Commission with enough information to determine that the Agreement, as amended, will cover costs. *Id.* at 3. He recommends that the Commission require the Postal Service “to provide new discounted prices, based upon 2013 prices, and update its cost coverage analysis to properly affect the new, first year prices, and account for the three month delay before subsequent price increases are applied to the contract.” *Id.*

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<sup>2</sup> See Docket Nos. MC2013-1 and CP2013-1, Order Adding Express Mail & Priority Mail Contract 11 to the Competitive Product List, October 22, 2012 (Order No. 1509).

<sup>3</sup> Public Representative Comments, February 21, 2013 (PR Comments).

### III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that they meet applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

The Amendment advances the first contract quarter from July 1 to October 1, which better reflects the effective date of the Agreement. The Public Representative contends the change will adversely affect cost coverage and urges the Commission to require the Postal Service to file revised supporting workpapers. The Commission finds this to be unnecessary. The Agreement does not, as the Public Representative asserts, require a price increase in July 2013. Instead, it requires an adjustment in prices “[a]fter the first year of the contract.”<sup>4</sup> At that time, prices are to be adjusted by the most recent average increase in prices of general applicability “as of the anniversary date”. The word “anniversary” suggests that the phrase “after the first year of the contract” describes a date that occurs after the anniversary of the effective date of the contract rather than at the end of the fourth contract quarter. The effective date of the Agreement is the day after the date on which the Commission issues all necessary regulatory approval, that is, October 23, 2012. Because the effective date of the contract is October 23, 2012, the first year of the contract ends in October 2013, not July 2013. Thus, the Agreement requires a price increase in October 2013.

Based on its previous analysis approving the Agreement in Order No. 1509, the Commission finds that the contract as amended comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7. Accordingly, the Commission approves the Amendment.

*Other considerations.* The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review.

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<sup>4</sup> See Request, Attachment B at 2 and 10.

Within 30 days of the expiration of the instant contract, the Postal Service shall file the annual (by contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves the proposed Amendment to Express Mail & Priority Mail Contract 11.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. As set forth in the body of this Order, the Commission approves the proposed Amendment to Express Mail & Priority Mail Contract 11.
2. Within 30 days after Express Mail & Priority Mail Contract 11, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

By the Commission.

Shoshana M. Grove  
Secretary