

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  
Priority Mail  
Priority Mail Contract 46

Docket No. MC2013-6

Competitive Product Prices  
Priority Mail Contract 46 (MC2013-6)  
Negotiated Service Contract

Docket No. CP2013-6

ORDER APPROVING AMENDMENT TO PRIORITY MAIL CONTRACT 46  
NEGOTIATED SERVICE AGREEMENT

(Issued April 1, 2013)

I. INTRODUCTION

The Postal Service proposes an amendment to Priority Mail Contract 46.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 46, With Portions Filed Under Seal, March 21, 2013 (Notice). The Amendment is attached to the Notice, labeled as Attachment A (Amendment).

In Order No. 1524, the Commission approved Priority Mail Contract 46.<sup>2</sup> On March 21, 2013, the Postal Service filed notice that it has agreed to an amendment to the existing Priority Mail Contract 46. The Amendment changes the annual adjustment mechanism for the second and third years of the contract. Notice, Attachment A at 1. In particular, it bases the price increases for the second and third years of the agreement on the average increase in prices of general applicability for “Priority Mail Commercial Plus” rather than the average increase in prices of general applicability for “Priority Mail Retail.” *Id.* The Postal Service asserts that the Amendment will not affect the expected cost coverage of the Agreement. Notice at 1.

The Postal Service intends for the Amendment to become effective on the day 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 recommends that the Commission approve the Amendment. PR Comments at 2. However, she also discusses potential concerns with the Postal Service’s statement that the Amendment will not “materially” affect cost coverage, but finds the statement could be justified depending on the average price increases and changes in costs. *Id.*

## III. COMMISSION ANALYSIS

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

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<sup>2</sup> See Docket Nos. MC2013-6 and CP2013-6, Order Adding Priority Mail Contract 46 to the Competitive Product List, November 2, 2012 (Order No. 1524).

<sup>3</sup> Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 46, March 29, 2013 (PR Comments).

*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 bases the price increases for the second and third years of the agreement on the average increase in prices of general applicability for “Priority Mail Commercial Plus” rather than the average increase in prices of general applicability for “Priority Mail Retail.” Notice, Attachment A at 1. As the Commission stated in Order No. 1524, the supporting revenue and cost data show that the contract should cover its costs during its first year. Order No. 1524 at 4. The Commission acknowledged the lack of data for subsequent contract years, but noted that the annual rate adjustment provision “should allow the contract’s revenues to cover costs in years two and three.” *Id.* The Commission also acknowledged that as part of the Annual Compliance Determination, the Commission will review the contract’s financial performance for consistency with section 3633(a). Changing the annual rate adjustment provision to “Priority Mail Commercial Plus” from “Priority Mail Retail” does not alter the Commission’s prior analysis at this time.

Based on its analysis of the supporting data, 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 that the Commission completes its review. Notice at 1.

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 Amendment to Priority Mail Contract 46.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. As set forth in the body of this Order, the Commission approves the Amendment to Priority Mail Contract 46.
2. Within 30 days after Priority Mail Contract 46, 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