

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

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Priority Mail Express Contract 11 (MC2011-14)
Negotiated Service Agreement

Docket No. CP2011-50

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL EXPRESS CONTRACT 11 NEGOTIATED SERVICE AGREEMENT

(Issued January 2, 2014)

I. INTRODUCTION

The Postal Service seeks to amend Priority Mail Express Contract 11.¹ For the reasons discussed below, the Commission approves the contract, as amended.

In Order No. 644, the Commission approved Priority Mail Express Contract 11.² On December 19, 2013, the Postal Service filed notice that it has agreed to an

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Express Contract 11, December 19, 2013 (Notice). The Amendment is Attachment A to the Notice (Amendment). When originally filed, the contract was named "Express Mail Contract 11." The contract is now referenced by the new product name, "Priority Mail Express Contract 11." See Notice at 1.

² See Docket Nos. MC2011-14 and CP2011-50, Order Approving Express Mail Contract 11 Negotiated Service Agreement, January 10, 2011 (Order No. 644). The contract was later amended. See Order No. 1745, Order Approving Amendment to Express Mail Contract 11 Negotiated Service Agreement, June 11, 2013.

amendment to the existing Priority Mail Express Contract 11. The Amendment changes the mechanism for the annual adjustment of prices by (1) adjusting prices cell by cell rather than by the average increase of prices of general applicability for Priority Mail Express Commercial Base and Plus³ and (2) changing the annual adjustment date to the effective date of the Postal Service's annual change in prices of general applicability for competitive products from the contract's anniversary date.⁴

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. *Id.* The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. Notice, Attachment B.

II. COMMENTS

Comments were filed by the Public Representative.⁵ No other interested person submitted comments. The Public Representative reviewed the detailed cost, revenue and forecasting materials the Postal Service provided under seal. *Id.* at 2. Based on that review, he concludes the Postal Service's calculations are without error and concurs with the Postal Service that the proposed amendments will allow each offering to cover its attributable costs, avoid subsidization by market dominant products, and yield contributions greater than the amount required toward the institutional costs. *Id.*

³ The Amendment will adjust: (1) the customized prices in Table A of the contract by the most recent cell by cell increase or decrease in prices of general applicability for Priority Mail Express Commercial Base and (2) the customized prices in Table B of the contract by the most recent cell by cell increase or decrease in prices of general applicability for Priority Mail Express Commercial Plus. Amendment at 1.

⁴ See Amendment at 1; Notice of the United States Postal Service of Change in Prices Pursuant to Amendment to Express Mail Contract 11, May 24, 2013, Attachment A at 5 (Notice of First Amendment).

⁵ Public Representative Comments, December 30, 2013.

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 the applicable requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

A previous amendment to the annual adjustment provision of Priority Mail Express Contract 11 provided that on the anniversary of the contract's effective date, the prices in Table A would adjust by the most recent average increase in prices of general applicability for Priority Mail Express Commercial Base and the prices in Table B would adjust by the most recent average increase in prices of general applicability for Priority Mail Express Commercial Plus.⁶ The Amendment changes the mechanism for the annual adjustment of prices by (1) adjusting prices cell by cell rather than by the average increase of prices of general applicability for Priority Mail Express Commercial Base and Plus and (2) changing the annual adjustment date to the effective date of the Postal Service's annual change in prices of general applicability for competitive products from the contract's anniversary date.

The supporting revenue and cost data show that the contract, as amended, should cover its costs for the contract year beginning February 2014. The annual rate adjustment provision in section I.E. of the amended contract should allow the amended contract's revenues to cover costs for the duration of the contract. As part of the Annual Compliance Determination, the Commission will review the contract's financial performance for consistency with section 3633(a). 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.

⁶ Notice of First Amendment, Attachment A at 5.

Other considerations. Within 30 days of the termination of the contract, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by weight and zone associated with the contract.

In conclusion, the Commission approves Priority Mail Express Contract 11, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves Priority Mail Express Contract 11, as amended.
2. Within 30 days after the Priority Mail Express Contract 11, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues.

By the Commission.

Shoshana M. Grove
Secretary