

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

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

Docket No. CP2014-22

Competitive Product Prices  
Global Expedited Package Services Contracts  
Non-Published Rates 4 (MC2013-27)

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE OF CHANGE IN PRICES FOR  
GLOBAL EXPEDITED PACKAGE SERVICES—NON-PUBLISHED RATES 4

(January 7, 2014)

The Public Representative hereby provides comments pursuant to Order No. 1937.<sup>1</sup> In that Order, the Commission provides notice and an opportunity for public comment, including comments from the undersigned Public Representative, in the above referenced docket on a Postal Service Notice of Change in Prices for Global Expedited Package Services—Non-Published Rates (GEPS—NPR 4).<sup>2</sup> A redacted copy of the GEPS—NPR 4 Version 2 model contract is attached to the Postal Service's Notice. Notice, Attachment 3.

The Commission previously added the GEPS – NPR 4 product to the competitive product list on January 16, 2013.<sup>3</sup> The GEPS – NPR 4 product, and its predecessors, offer incentive pricing to mailers that agree to the terms of the model contract for shipping merchandise and other items to foreign destinations using Global Express

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<sup>1</sup> Notice and Order Concerning Change in Prices for Global Expedited Package Services – Non-Published Rates 4 (GEPS –NPR 4) and Request for Supplemental Information, December 31, 2013 (Order No. 1937). .

<sup>2</sup> Notice of the United States Postal Service of Change in Prices for Global Expedited Package Services – Non-Published Rates 4 (GEPS – NPR 4), December 26, 2013 (Notice).

<sup>3</sup> See, Order Adding Global Expedited Package Services—Non-Published Rates 4 (GEPS - NPR 4) to the Competitive Product List, Docket Nos. MC2013-27/CP2013-35, January 16, 2013 (Order No. 1625).

Guaranteed (GXG), Priority Mail Express International (PMEI), and Priority Mail International (PMI).<sup>4</sup> The Postal Service states that the change in price subject to the current docket is necessary due to (1) changes in the non-discounted published postage for PMEI, PMI and GXG; (2) the creation of a Management Analysis of the Prices and Methodology for Determining Prices for Negotiated Service Agreements under Global Expedited Package Services – Non-Published Rates 4 Version 2; and (3) the updated financial model. Notice at 2-3. In the current docket the Postal Service asks that the Commission adds the GEPS – NPR 4 Version 2 “to the GEPS – NPR 4 product grouping in the competitive products list of the MCS [Mail Classification Schedule], to reflect the change in non-generally applicable rates for this competitive product”. Notice at 9.

To clarify the record, the Commission requested supplemental information. Order No. 1937, at 4. On January 3, 2014, the Postal Service filed the response<sup>5</sup> where it stated that, first, the rates proposed in the GEPS – NPR 4 Version 2 “are intended to go into effect on January 26, 2014 and, second, the GEPS – NPR 4 Version 2 model contract would “replace the almost identical revised GEPS – NPR 4 model contract that the Commission reviewed in Order No. 1835”.

## COMMENTS

The Public Representative has reviewed the Postal Service’s Notice, the GEPS – NPR 4 Version 2 model contract, the GEPS – NPR 4 Version 2 Management Analysis, and supporting financial spreadsheets filed under seal that accompany the Notice. Based upon the review, the Public Representative concludes that the Postal Service’s

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<sup>4</sup> The model contract serves as a template for separate agreements with individual mailers. The Postal Service filed the model contract and financial model for GEPS - NPR 4 in Docket Nos. MC2013-27 and CP2013-35. See, Request of the United States Postal Service to add Global Expedited Package Services – Non-Published Rates 4 (GEPS – NPR 4) to the Competitive Product List and Notice of Filing GEPS – NPR 4 Model Contract and Application for Non-Public Treatment of Materials Filed Under Seal, December 21, 2012, Attachment 4. On January 16, 2013, in the Order No. 1625 the Commission approved the addition of GEPS – NPR 4 to the competitive product list, along with a model contract. On September 16, the Commission approved the revision to the GEPS – NPR 4 model contract. See, Order Approving Revisions to Model Contract, September 16, 2013 (Order No. 1835).

<sup>5</sup> Response of the United States Postal Service to Request for Supplemental Information, January 3, 2014 (Supplement).

filings are consistent with the policies of Title 39 U.S.C, and recommends Commission approval of the current docket.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial model filed under seal with the Postal Service's Request, it appears the discounted prices developed from the financial model should generate sufficient revenues to permit the GEPS – NPR 4 Version 2 products to cover costs and thereby satisfy section 3633(a). 39 U.S.C.

However, the Public Representative has a concern regarding the consistency of the Postal Service's filing with Commission Order No. 1835. In this Order, the Commission clarified that "when the Postal Service proposes changes to model contracts...it should file in the applicable 'MC' docket". Order No. 1835 at 5. Dockets designated as "MC" are typically used for changes in the text of the Mail Classification Schedule, which governs the terms and conditions of mail service. The current Notice was filed under Docket No. CP2014-22. This is appropriate because dockets designated as "CP" are reserved for price changes applicable to the competitive products. At the same time, the current docket, upon the Postal Service's own admission, also includes changes to the GEPS – NPR 4 model contract (which would replace previously approved model contract) and contain the request for the Commission to add GEPS – NPR 4 Version 2 to the GEPS product grouping in the competitive products list of the Mail Classification Schedule. Notice at 7, 9 and Supplement.

The Public Representative acknowledges that the differences between the GEPS – NPR 4 Version 2 model contract (provided in Attachment 3 to the Notice) and the revised GEPS – NPR 4 model contract (reviewed by the Commission in Order No. 1835) are minor. Examples include updating the ACR docket numbers in Article 12 and replacing "2013" with "2014" in the footer of each page of the agreement. However,

Commission Order No. 1835 does not distinguish between minor and major changes in the model contract while directing the Postal Service to file the applicable “MC” docket. Order No. 1835 at 5. Therefore, such proposed changes should be also filed in the docket designated as “MC”.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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