

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
Parcel Select Contract 2 (MC2012-16)
Negotiated Service Agreement

Docket No. CP2012-23

ORDER APPROVING AMENDMENT TO PARCEL SELECT CONTRACT 2
NEGOTIATED SERVICE AGREEMENT

(Issued March 27, 2014)

I. INTRODUCTION

The Postal Service seeks to amend the Parcel Select Contract 2 negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

In Order No. 1349, the Commission approved the Parcel Select Contract 2 negotiated service agreement (Existing Agreement).² On March 18, 2014, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select Contract 2, March 18, 2014 (Notice). The Amendment is Attachment A to the Notice (Amendment).

² See Docket Nos. MC2012-16 and CP2012-23, Order Adding Parcel Select Contract 2 to the Competitive Product List, May 22, 2012 (Order No. 1349).

March 19, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.³

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 Existing Agreement, as amended, complies with 39 U.S.C. § 3633. Notice, Attachment B.

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other interested person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, the financial model filed under seal, as well as the Postal Service library reference related to negotiated service agreements filed with the FY 2013 Annual Compliance Report. *Id.* at 2. Based on that review, she concludes that the Existing Agreement, as amended, should continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a) between the effective date of the Amendment and the next anniversary of the contract's effective date. *Id.* She notes that the annual adjustment of prices, as described in the Existing Agreement, should allow the contract to meet the requirements of 39 U.S.C. § 3633(a) in subsequent contract years. *Id.*

III. COMMISSION ANALYSIS

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

³ Order No. 2026, Notice and Order Concerning Amendment to Parcel Select Contract 2, March 19, 2014.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Parcel Select Contract 2, March 24, 2014.

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.

The Amendment changes the contract's prices and amends sections I.B, I.C, I.D, I.E, and I.G of the Existing Agreement. The supporting revenue and cost data show that the Existing Agreement, as amended, should cover its costs for the contract year beginning March 28, 2014. The annual rate adjustment provision in section I.F of the contract should allow the contract's revenues to cover costs for the duration of the contract.⁵ The Commission will continue to review the cost coverage of the contract in its Annual Compliance Determination to ensure that rates cover costs.

Other considerations. The Postal Service states that the Amendment shall become effective one business day after the day that the Commission completes its review. The Existing Agreement, as amended, is set to expire May 31, 2019 unless, among other things, either party terminates the contract with six months' written notice to the other party or it is renewed by mutual agreement.⁶

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the Existing Agreement, as amended, 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 the Existing Agreement, as amended.

⁵ Docket Nos. MC2012-16 and CP2012-23, Notice of the United States Postal Service of Filing Errata to Request and Notice, May 7, 2012, Attachment B at 3.

⁶ *Id.* at 6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Parcel Select Contract 2 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by rate category and weight associated with the contract.

By the Commission.

Ruth Ann Abrams
Acting Secretary