

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

Competitive Product Prices
Priority Mail Contracts 60 (MC2013-54)
Negotiated Service Agreement

Docket No. CP2013-70

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE AMENDMENT TO
PRIORITY MAIL CONTRACT 70

(April 15, 2014)

The Public Representative hereby provides comments pursuant to Order No. 2042.¹ In that Order, the Commission reopened the above referenced docket to consider a Postal Service notice of an amendment to Priority Mail Contract 48, and appointed the undersigned Public Representative.² The amendment changes the prices for contract Priority Mail packages. Notice, Attachment A; Order No. 2042 at 2.³ The Commission previously approved the addition of Priority Mail Contract 60, which features rates not “of general applicability,” to the competitive product list in Docket Nos. MC2013-54 and CP2013-70.⁴

The Postal Service’s notice includes a redacted version of the amendment as Attachment A, with an unredacted version filed under seal. Attachment B of the notice consists of a statement from Steven R. Phelps, required by 39 C.F.R. § 3015.5(c)(2), certifying that the amended prices comply with 39 U.S.C. § 3633(a).

The Postal Service states that the prices initially negotiated in Priority Mail Contract 60 applicable to Priority Mail packages during the first year have changed “as contemplated by the contract’s terms.” The Postal Service also states that the amendment will become effective “one day after the day that the Commission completes its review of this filing.” Notice at 1.

COMMENTS

¹ Commission Order No. 2042, Notice and Order Concerning Amendment to Priority Mail Contract 60, April 8, 2014

² Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 60, April 4, 2014. (Notice).

³ Amendment Section I. F contains “Priority Mail Discounts.” Section I. G., which was also amended, contains a price adjustment mechanism. Thus sections F and G, in concert change the contract prices.

⁴ Commission Order No. 1773, Order Adding Priority Mail Contract 60 to the Competitive Product List, July 8, 2013, at 4-6.

The Public Representative has reviewed the contract amendment, the initial contract filed in Docket Nos. MC2013-54 and CP2013-70, and the financial model filed under seal that accompanies the Postal Service's notice in the instant proceeding.

While the Postal Service's financial model estimates that the contract can generate revenues sufficient to cover costs, the Postal Service has not linked the current contract amendment with the financial model. This is most evident in two instances. First, the Public Representative notes that the contract prices in the financial model are hard coded, and such Amendment A Section I. F is not contained in the financial model. The Postal Service has included hard coded numbers that appear to be correct in this instance, but the review process could be improved by maintaining formulas and including the contract terms in the financial model. Further, this is not consistent with cell D109 of tab "PartnetProfileParcels." Second, it is not clear if cell e122 of tab "PartnetProfileParcels" is consistent with Amendment A Section I.D.

The Public Representative has performed a sensitivity analysis to better understand how the amended contract terms may impact the revenues and costs of the first year of the amended agreement, using the Financial Model provided by the Postal Service as a baseline. Based upon that review, the Public Representative concludes that the amended contract in the first year should generate sufficient revenues to cover costs and thereby satisfy 39 U.S.C. § 3633(a).

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

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