

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

Competitive Product Prices
Priority Mail Express
Priority Mail Contract 18

Docket No. MC2014-25

Competitive Product Prices
Priority Mail Express Contract 18 (MC2014-25)
Negotiated Service Agreement

Docket No. CP2014-48

PUBLIC REPRESENTATIVE COMMENTS ON THE
REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD PRIORITY MAIL
EXPRESS CONTRACT 18 TO COMPETITIVE PRODUCT LIST

(April 28, 2014)

I. SUMMARY

In response to Order No. 2060,¹ the Public Representative hereby comments on the Request² the Postal Service filed.

The Priority Mail Express Contract 18 (Contract 18) appears to be beneficial to the Postal Service, the contract partner and the general public. The Public Representative observes that the Postal Service's Request appears to comport with the provisions of 39 U.S.C. §§ 3632 and 3633 and C.F.R. § 3015.5.

II. COMMENTS

¹ Notice and Order Concerning the Addition of Priority Mail Express Contract 18 to the Competitive Product List, April 21, 2014, (Notice).

² Request of the United States Postal Service to Add Priority Mail Express Contract 18 to the Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, April 18, 2014, (Request).

The Postal Service filed its Request to add Contract 18 to the competitive product list. Contract 18 is a competitive product not of general applicability within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The contract applies to the customer's Priority Mail Express mailings, and its effective date is one business day after the Commission issues all regulatory approval. *Id.*, Attachment B at 2.³ Contract 18 expires three years from the effective date. *Id.*

Based on the financial workpapers filed by the Postal Service it is likely that Contract 18 will meet the requirements of 39 U.S.C. § 3633(a) during its first year. For subsequent years the Postal Service has provided a mechanism to update the customized prices. *Id.* Contract 18 indicates that the pricing structure will cover its attributable costs and make a positive contribution to the Postal Service's institutional costs. The Public Representative is also mindful that the Postal Service will file cost, revenue, and volume data in each year's Annual Compliance Report that will aid the Commission in ensuring the requirements of 39 U.S.C. § 3633(a) are met.

III. Statutory Criteria.

39 U.S.C. § 3632. The section grants authority to the Postal Service's Board of Governors to establish rates and classes for products in the competitive category of mail in accordance with the requirements of the subchapter and regulations promulgated under 39 U.S.C. § 3633. It further provides procedures for the establishment of such rates and classifications. The Public Representative concludes that the Notice and attachments appear consistent with 39 U.S.C. § 3632 requirements.

39 U.S.C. § 3633. The Postal Service asserts that the instant contract meets the requirements of 39 U.S.C. § 3633 that apply to competitive products. *Id.* at 8. The three relevant criteria for competitive products are that: (1) it is not cross-subsidized by market dominant products; (2) revenues cover attributable costs; and (3) it contributes what the Commission determines to be an appropriate share of the Postal Service's institutional costs. The Postal Service's financial model indicates that the negotiated

³ Shipping Services Contract between the United States Postal Service and [Redacted] Regarding Priority Mail Express Service.

prices should generate sufficient revenues to cover costs and provide an appropriate share to the Postal Service's institutional costs. Therefore, the Postal Service's filing appears to comport with the requirements of 39 U.S.C. § 3633.

39 C.F.R. § 3015.5. The Postal Service asserts that the instant contract satisfies the requirements of 39 C.F.R. § 3015.5, which includes: giving the Commission at least 15 days' notice before adding or changing a rate or class, providing an explanation and justification for the change and filing revenue and cost data for the 12-month period following the effective date, to ensure that the product is in compliance with 39 U.S.C. § 3633. Also, § 3015.5 requires a certified statement by a Postal Service representative attesting to the accuracy of the data. The Postal Service's filing appears to satisfy the requirements of 39 C.F.R. § 3015.5.

IV. CONCLUSION

After accessing and reviewing all materials the United States Postal Service submitted in this docket to include documents filed under seal, the Public Representative believes that the proposed Contract will cover its attributable costs and make a positive contribution of at least 5.5 percent towards the Postal Service's institutional costs.

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

/s/ Pamela A. Thompson

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