

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

Competitive Product Prices
Priority Mail Contract 80 (MC2012-39)
Negotiated Service Agreement

Docket No. CP2012-47

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT
TO PRIORITY MAIL CONTRACT 41

(March 30, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2409.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of a change in the terms of Priority Mail Contract 41.² Attachment A to the Notice consists of a redacted version of the Amendment to Priority Mail Contract 41.

In Order No. 1445, the Commission approved the Postal Service's request to add a new product identified as Priority Mail Contract 41 to the Competitive product list.³ The Amendment adds Paragraph I.G.4. to Contract 41, which bases the calculation of prices during the third, fourth and fifth years of the contract on the previous year's prices plus the most recent average increase in prices of general applicability for Priority Mail Commercial Plus. Notice, Attachment A, at 1. As filed, Contract 41 bases price adjustments on Priority Mail Retail. The Amendment also revises Section III. to extend the contract expiration date to 5 years from the effective date. *Id.* Contract 41 is currently scheduled to expire 3 years from the effective date.

¹ Order No. 2409, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, March 23, 2015.

² Notice of United States Postal Service of Amendment to Priority Mail Contract 41, with Portions Filed Under Seal, March 20, 2015 (Notice).

³ See Order No. 1445, Order Adding Priority Mail Contract 41 to the Competitive Product List, Docket Nos. MC2012-39/CP2012-47, August 20, 2012.

The Postal Service asserts that the Amendment will not materially affect the cost coverage of Contract 41. Notice at 1. The Postal Service adds that as a result, the supporting financial documentation and financial certification initially provided in Docket Nos. MC2012-39/CP2012-47 remain applicable. *Id.* The Postal Service also states that the Amendment will take effect one business day following the day on which Commission completes its regulatory review of this filing. *Id.*

COMMENTS

The Public Representative has reviewed Priority Mail Contract 41 and the Postal Service's Amendment thereto. Based upon that review, the Public Representative recommends Commission approval of the Amendment to Contract 41.

The Postal Service's assessment that the Amendment will not materially affect the cost coverage of Contract 41 is not unreasonable. As filed, the Amendment extends the term of Contract 41, and updates the calculation used to adjust prices during the third, fourth and fifth years of the contract. The Public Representative therefore believes that these changes are not likely to have a material effect on cost coverage of Contract 41. This belief is supported by the fact that Contract 41 covered costs in FY 2014.

However, the Public Representative notes that future price adjustments are linked to the most recent average *increase* in prices of general applicability for Priority Mail Commercial Plus. If the Postal Service does not seek a price adjustment, or proposes a decrease in generally applicable prices for Commercial Plus, this suggests that there will be no change to the Contract 41 prices. As a result, the cost coverage for Contract 41 would decline—assuming contract costs rise in the third, fourth and fifth years of the contract.

This concern is mitigated somewhat by the fact that the Postal Service must file revenue and cost data for Contract 41 in future Annual Compliance Reports. This data will permit the Commission to annually review the financial results for Contract 41 in future Annual Compliance Determination (ACD) reports for compliance with 39 U.S.C. § 3633(a).

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

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Public Representative

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