

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

Competitive Product Prices  
Global Plus 1C Contracts (MC2012-6)  
Negotiated Service Agreement

Docket Nos. CP2015-66

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF  
THE UNITED STATES POSTAL SERVICE TO ADD A FUNCTIONALLY EQUIVALENT  
GLOBAL PLUS 1C NEGOTIATED SERVICE AGREEMENT  
(May 15, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2478.<sup>1</sup> In this Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's intent on entering into an additional Global Plus 1C contract and have the contract included within the Global Plus 1C product on the grounds of functional equivalence to a previously approved baseline agreement.<sup>2</sup>

In Order No. 1151, the Commission authorized the addition of the Global Plus 1C product to the competitive product list and determined that the Global Plus 1C contracts filed in Docket Nos. CP2012-12 and CP2012-13 should be included within the product.<sup>3</sup>

In this proceeding, the Postal Service gives notice that it intends to enter into an additional Global Plus 1C contract to be included within the Global Plus 1C product. The Postal Service seeks this inclusion on the grounds of functional equivalence to a previously approved baseline agreement. *Notice* at 3. The Global Plus 1C contract described in Docket No. CP2014-66 is the immediate successor to the Global Plus 1C contract that is the subject of Docket No. CP2014-42, which is scheduled to expire on

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<sup>1</sup> PRC Order No. 2478, Notice and Order Concerning an Additional Global Plus 1C Contract, May 12, 2015.

<sup>2</sup> Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of materials Filed Under Seal, January 10, 2013 (Notice) at 1.

<sup>3</sup> PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012.

May 30, 2015, the day prior to the changes in the non-discounted published postage for IPA, ISAL, GXG, PMEI, and PMI.<sup>4</sup>

As a result, the intended effective date for the instant agreement is May 31, 2015, when the changes in the non-discounted published postage for IPA, ISAL, GXG, PMEI and PMI are scheduled to go into effect. By its terms, the agreement will remain in effect until May 31, 2016. *Id* at 4.

## COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Statement of Supporting Justification (Attachment 3), and the contract as well as the supporting financial models filed separately under seal for the Global Plus 1C contract that accompanied the Postal Service's Request. Based upon that review, the Public Representative concludes that the instant Global Plus 1C contract is functionally equivalent to the contracts filed in Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for comparison under the Global Plus 1C grouping.<sup>5</sup>

*Product Costs.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the instant Agreement and the baseline agreements are functionally equivalent because they share similar cost and market characteristics. *Notice*, at 5. The financial models accompanying the Postal Service's Request indicate that the instant Contract should cover its attributable cost.

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<sup>4</sup> See PRC Order No. 2473, Notice of New Implementation Date for Changes in Rates of General Applicability for Competitive Products, Docket No. CP2015-33, May 7, 2015.

<sup>5</sup> See PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, page 7-8.

*Functional Equivalence.* In its Request, the Postal Service explains that the functional terms of the contract which is subject of this filing are very similar to those of the contracts that are the subjects of Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for the Global 1C product grouping. The Postal Service states that the instant Global Plus 1C contract fits within the parameters outlined by the Governors' Decisions establishing and authorizing the rates for Global Plus 1C agreements. *Notice* at 6.

The Postal Service also addresses differences between this contract and the contracts that are subject of Docket Nos. CP2012-12 and CP2012-13. The differences include replacement of Express Mail International with Priority Mail Express International, and revisions to Articles 2, 3, 4, 6, 7, 12, 13, 15, 17, 18, 24, 25, 27, 30, 31, 33 and 34. *Id.* However, the Postal Service does not consider these specified differences to affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract. *Id.* at 7. It therefore asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. *Id.*

The Public Representative agrees that these differences do not alter the conclusion that the Global Plus 1C contracts are functionally equivalent.

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

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