

ORDER NO. 2579

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

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Nanci E. Langley

Competitive Product Prices  
Parcel Select & Parcel Return Service Contract 3  
(MC2012-15)  
Negotiated Service Agreement

Docket No. CP2012-22

ORDER APPROVING AMENDMENT TO A  
PARCEL SELECT & PARCEL RETURN SERVICE NEGOTIATED SERVICE  
AGREEMENT

(Issued July 13, 2015)

I. INTRODUCTION

The Postal Service seeks to amend a Parcel Select & Parcel Return Service negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

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<sup>1</sup> Notice of United States Postal Service of Amendment to Parcel Select and Parcel Return Service Contract 3, with Portions Filed Under Seal, June 26, 2015 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 1348, the Commission approved the Parcel Select & Parcel Return Service Contract 3 negotiated service agreement (Existing Agreement).<sup>2</sup> On June 26, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On June 30, 2015, Chairman's Information Request No. 1 was issued.<sup>3</sup> On July 1, 2015, the Postal Service responded to CHIR No. 1 and filed the unredacted amendment under seal.<sup>4</sup> On July 2, 2015, 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.<sup>5</sup>

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 asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative on July 7, 2015.<sup>6</sup> No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, Amendment 1, and the financial model filed under seal with Amendment 1. *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). *Id.* at 3.

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<sup>2</sup> See Docket Nos. MC2012-15 and CP2012-22, Order Adding Parcel Select & Parcel Return Contract 3 to the Competitive Product List, May 21, 2012 (Order No. 1348). The contract was later amended. See Order No. 2233, Order Approving Amendment to Parcel Select & Parcel Return Service Contract 3 Negotiated Service Agreement, October 31, 2014 (Amendment 1).

<sup>3</sup> Chairman's Information Request No. 1, June 30, 2015 (CHIR No. 1).

<sup>4</sup> Response of United States Postal Service to Chairman's Information Request No. 1, July 1, 2015.

<sup>5</sup> Order No. 2562, Notice and Order Concerning Amendment to a Parcel Select and Parcel Return Service Negotiated Service Agreement, July 2, 2015.

<sup>6</sup> Public Representative Comments on Postal Service Notice of Amendment to Parcel Select and Parcel Return Service Contract 3, July 7, 2015 (PR Comments).

### III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the Amendment, the materials filed under seal for Amendment 1, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement is a contract for Parcel Select and Parcel Return services.<sup>7</sup> The Amendment sets forth the assignment and delegation rights under the contract and describes the package label indicia that will be valid in the event of the assignment, delegation, or transfer of the contract.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review. The Existing Agreement, as amended, is set to expire May 31, 2019, unless, among

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<sup>7</sup> Docket Nos. MC2012-15 and CP2012-22, Notice of United States Postal Service of Filing Errata to Request and Notice, May 7, 2012 (Notice). Attached to the Notice is the Request of the United States Postal Service to Add Parcel Select and Parcel Return Service Contract 3 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 4, 2012, Attachment B.

other things, either party terminates the contract with 12 months' written notice to the other party or it is renewed by mutual agreement.<sup>8</sup>

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

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Parcel Select & Parcel Return Service Contract 3 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.

By the Commission.

Ruth Ann Abrams  
Acting Secretary

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<sup>8</sup> *Id.* Attachment B at 8. 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.