

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
Priority Mail Contract 130 (MC2015-64)
Negotiated Service Agreement

Docket No. CP2015-95

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued November 2, 2015)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 130, with Portions Filed Under Seal, October 22, 2015 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 2595, the Commission approved the Priority Mail Contract 130 negotiated service agreement (Existing Agreement).² On October 22, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On October 23, 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.³

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the filing. 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. *See id.*

II. COMMENTS

Comments were filed by the Public Representative.⁴ No other person submitted comments. The Public Representative reviewed the Amendment, the Existing Agreement, and the financial model filed under seal. *Id.* at 1. Based on that review, she recommends approval of the Amendment and concludes that the Amendment would not reduce the cost coverage of Priority Mail Contract 130 to below costs. *Id.* at 1-2.

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, 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

² See Docket Nos. MC2015-64 and CP2015-95, Order Adding Priority Mail Contract 130 to Competitive Product List, July 17, 2015 (Order No. 2595).

³ Order No. 2776, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, October 23, 2015.

⁴ Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 130, October 28, 2015 (PR Comments).

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 provides the customer with Priority Mail shipping services.⁵ The Amendment replaces section I.G of the Existing Agreement, which concerns the minimum commitment required for eligibility for certain prices and adds section VIII, which concerns assignment. Notice, Attachment A at 1–2.

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 two days after the date that the Commission completes its review. The Existing Agreement, as amended, is set to expire 3 years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.⁶

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.

⁵ Docket Nos. MC2015-64 and CP2015-95, Request of the United States Postal Service to Add Priority Mail Contract 130 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, July 8, 2015, Attachment B at 1.

⁶ Order No. 2595 at 5–6. 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.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Priority Mail Contract 130 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.

Stacy L. Ruble
Secretary