

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 5
(MC2014-1)
Negotiated Service Agreement

Docket No. CP2014-1

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

(Issued November 13, 2015)

I. INTRODUCTION

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

¹ Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Parcel Select and Parcel Return Service Contract 5, November 4, 2015 (Notice). The Amendment is included as Attachment A to the Notice (Amendment).

In Order No. 1863, the Commission approved the Parcel Select & Parcel Return Service Contract 5 negotiated service agreement (Existing Agreement).² On November 4, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On November 5, 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 on the next weekday (excluding federal holidays and days on which the Postal Service's headquarters is administratively closed) after the date that the Commission completes its review of the Notice. Notice, Attachment A at 1. The Postal Service filed supporting financial documentation and a certified statement, as required by 39 C.F.R. § 3015.5. 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. Notice, Attachment B at 1.

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. PR Comments 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.* She further concludes that the annual rate adjustment provision in the Existing Agreement should allow the amended agreement's revenues to "cover costs for the duration of its term." *Id.*

² See Docket Nos. MC2014-1 and CP2014-1, Order Adding Parcel Select & Parcel Return Service Contract 5 to the Competitive Product List, October 29, 2013 (Order No. 1863). The contract was later amended. See Order No. 2431, Order Approving Amendment to Parcel Select & Parcel Return Service Negotiated Service Agreement, April 8, 2015.

³ Order No. 2804, Notice and Order Concerning Amendment to a Parcel Select & Parcel Return Service Negotiated Service Agreement, November 5, 2015.

⁴ Public Representative Comments on Postal Service Request to Amend a Parcel Select & Parcel Return Service Negotiated Service Agreement, November 12, 2015 (PR Comments).

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 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 Amendment seeks to change the prices in Table 2 of Section I.I.3 of the Existing Agreement. Notice, Attachment A at 1.

Based on a review of the record, the Commission finds that the Existing Agreement, as amended, should cover its attributable costs. 39 U.S.C. § 3633(a)(2). For this reason, it finds that the Existing Agreement, as amended, should not result in competitive products as a whole being subsidized by market dominant products, in accordance with 39 U.S.C. § 3633(a)(1). Similarly, it finds the amended agreement is unlikely to prevent competitive products as a whole from contributing an appropriate share of institutional costs, consistent with 39 U.S.C. § 3633(a)(3). *See also* 39 C.F.R. § 3015.7(c). Accordingly, a preliminary review of the Amendment indicates it is consistent with section 3633(a). The annual rate adjustment provision in section I.J of the Existing Agreement should allow the amended agreement's revenues to cover costs for the duration of its term. The Commission will continue to review the cost coverage of the amended agreement in its Annual Compliance Determination to ensure that rates cover costs.

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 5 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