

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Priority Mail & First-Class Package Service  
Priority Mail & First-Class Package Service Contract 10

Docket No. MC2016-58

Competitive Product Prices  
Priority Mail & First-Class Package Service Contract 10  
(MC2016-58)  
Negotiated Service Agreement

Docket No. CP2016-73

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE  
REQUEST TO ADD PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE  
CONTRACT 10 TO COMPETITIVE PRODUCT LIST

(January 4, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 2934.<sup>1</sup> In that Order, the Commission established the above-referenced docket to receive comments from interested persons on the Postal Service's Request to add Priority Mail & First-Class Package Service Contract 10 to the competitive product list.<sup>2</sup>

The Postal Service's Request includes a Statement of Supporting Justification, a certification of compliance with 39 U.S.C. § 3633(a), a public (redacted) version of Governors' Decision No. 11-6 and related analysis, a public version of the contract, and proposed changes to the Mail Classification Schedule. The Postal Service also filed (under seal) unredacted versions of Governors' Decision No. 11-6, the contract, and the supporting financial model.

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<sup>1</sup> Notice and Order Concerning the Addition of Priority Mail & First-Class Package Service Contract 10 to the Competitive Product List, December 28, 2015 (Order No. 2934).

<sup>2</sup> Request of the United States Postal Service to Add Priority Mail & First-Class Package Service Contract 10 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, December 23, 2015 (Request).

The Postal Service states that Priority Mail & First-Class Package Service Contract 10 is a competitive product with prices “not of general applicability” within the meaning of 39 U.S.C. § 3632(b)(3). Request at 1. The Postal Service also maintains that the prices and classification underlying the contract are supported by Governors’ Decision No. 11-6.<sup>3</sup>

## II. COMMENTS

The Public Representative has reviewed the Postal Service’s Request, including the Statement of Supporting Justification, Priority Mail & First-Class Package Service Contract 10, and the financial model filed under seal with the Request. Based upon that review, the Public Representative concludes that Priority Mail & First-Class Package Service Contract 10 should be categorized as a competitive product and added to the competitive product. In addition, it appears that Priority Mail & First-Class Package Service Contract 10 should generate sufficient revenues to cover costs, and thereby satisfy 39 U.S.C. § 3633(a).

*Product List Assignment.* Pursuant to 39 U.S.C. § 3642, the Postal Service requests that Priority Mail & First-Class Package Service Contract 10 be added to the competitive product list. 39 U.S.C. § 3642 requires the Commission to consider whether “the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant, while all others are categorized as competitive.

The Postal Service’s Statement of Supporting Justification makes a number of assertions that address the considerations of 39 U.S.C. § 3642(b)(1). Request, Attachment D at 2. These assertions appear reasonable. Based upon these

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<sup>3</sup> Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, March 22, 2011 (Governors’ Decision No. 11-6).

assertions, the Public Representative concludes that the Postal Service's Request to add Priority Mail & First-Class Package Service Contract 10 to the competitive product list is appropriate.

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service's rates for competitive products must not result in the subsidization of competitive products by market dominant products; must ensure that each competitive product will cover its attributable costs; and must ensure that competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. Based upon a review of the financial model filed under seal with the Request, it appears that the negotiated prices for Priority Mail & First-Class Package Service Contract 10 should generate sufficient revenues to cover costs, and therefore meet the requirements of 39 U.S.C. § 3633(a).

### III. CONCLUSION

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

/s/ Derrick D. Dennis

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