

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 3
(MC2010-28)
Negotiated Service Agreement

Docket No.
CP2015-86

PUBLIC REPRESENTATIVE COMMENTS CONCERNING
MODIFICATION TO GLOBAL EXPEDITED PACKAGE SERVICES 3
NEGOTIATED SERVICE AGREEMENT

(February 22, 2016)

The Public Representative hereby provides comments pursuant to Order No. 3075.¹ In that Order, the Commission reopened the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing a modification to Global Expedited Package Services (GEPS) 3 negotiated service agreement (Modification).²

A redacted version of the Modification is included in Attachment 1 to the Notice of Modification. The Postal Service also filed (under seal) the unredacted Modification and supporting financial documentation.

I. BACKGROUND

In Order No. 2568, the Commission approved the Global Expedited Package Services 3 Negotiated Service Agreement subject of this docket (Agreement).³ The

¹ Notice and Order Concerning Modification to a Global Expedited Package Services 3 Negotiated Service Agreement, February 12, 2016 (Order No. 3075).

² Notice of the United States Postal Service of Filing Modification to Global Expedited Package Services 3 Negotiated Service Agreement, February 11, 2016 (Notice of Modification).

³ Docket No. CP2015-86, Order Approving Additional Global Expedited Package Services 3 Negotiated Service Agreement, July 7, 2015 (Order No. 2568). See also Docket Nos. CP2015-86, Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 3 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, June 23, 2015 (Notice).

Agreement that went into effect on July 15, 2015 “is set to expire one year after its effective date, or the last day of the month which falls one calendar year from the effective date, whichever is later.” Order No. 2568 at 2.

The Modification revises a few Articles of the Agreement, and replaces Annex 1 of the Agreement. The Modification is intended to go into effect on March 1, 2016. Notice of Modification at 1.

II. COMMENTS

The Public Representative has reviewed the Postal Service’s Notice of Modification and the documentation provided with both the original Agreement and the Modification, including the financial worksheets filed under seal. The Public Representative has also reviewed the relevant cost, volume and revenue information filed in the FY 2015 Annual Compliance Report (ACR). Based upon that review, the Public Representative concludes that the GEPS 3 agreement, as modified, should continue to generate sufficient revenues to cover costs.

Requirements of 39 U.S.C. § 3633. 39 U.S.C. § 3633(a) requires that prices for competitive products must cover each product’s attributable costs, not result in the subsidization of competitive products by market dominant products, and enable competitive products as a whole to contribute an appropriate share to the institutional costs of the Postal Service. In addition, the Commission requires that each individual negotiated agreement included within GEPS products must comply with the requirements specified in 39 U.S.C. § 3633.⁴

The analysis of the FY 2015 ACR financial workpapers show that in FY 2015, the GEPS 3 agreement subject of the current docket generated sufficient revenue to cover costs. Based upon the review of the financial workpapers filed with the Modification, the Public Representative concludes that the agreement, as modified, should continue to cover its attributable costs. In the ACD 2014, the Commission found that GEPS 3

⁴ Section 2510.8.1(f) of the Mail Classification Schedule, posted June 4, 2015, with revisions through: November 2, 2015.

product generated sufficient revenue that exceeded attributable costs and satisfied 39 U.S.C. § 3633(a)(2).⁵ Consequently, the Public Representative concludes that the Modification should allow the GEPS 3 product to continue to comply with 39 U.S.C. § 3633(a)(2), and 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).

Functional Equivalence. Customers for GEPS 3 contracts are small- or medium-sized businesses that mail products directly to foreign destinations using Priority Mail Express International (PMEI), Priority Mail International (PMI), or both. Order No. 2568 at 2 and Notice at 4. In the Agreement, the qualifying mail was limited to PMI. *Id.* Attachment 1 at 1. The Modification revises numerous articles of the Agreement so that the agreement, as modified, applies to both PMEI and PMI. Notice of Modification, Attachment 1 at 1-2. The Modification also replaces Annex 1 with new price tables for PMEI and PMI mailpieces. *Id.* at 4-7. The Public Representative concludes that the agreement, as modified, is functionally equivalent to the agreement subject of Docket No. CP2010-71, which serves as the baseline agreement for the GEPS 3 product grouping.⁶

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

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⁵ Docket No. ACR 2014, Annual Compliance Determination Report, March 27, 2015 at 77-78 (ACD 2014).

⁶ See Docket Nos. MC2010-28 and CP2010-71, Order Approving Global Expedited Package Service 3 Negotiated Service Agreement, July 29, 2010 (Order No. 503).