

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

Competitive Product Prices  
Parcel Select & Parcel Return Service Contract 5 (MC2014-1)  
Negotiated Service Agreement

Docket No. CP2014-1

PUBLIC REPRESENTATIVE COMMENTS ON  
POSTAL SERVICE NOTICE OF AMENDMENT TO  
PARCEL SELECT AND PARCEL RETURN SERVICE CONTRACT 5  
(February 23, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to Order No. 3080.<sup>1</sup> In that Order, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice to amend an existing Parcel Select and Parcel Return Service Contract 5 negotiated service agreement.<sup>2</sup>

II. BACKGROUND

This is the third amendment to Parcel Select & Parcel Return Service Contract 5. The Commission first approved the original Parcel Select and Parcel Return Service Contract 5 in Order No. 1863, dated October 29, 2013. On April 8, 2016, the Commission approved the first amendment to Parcel Select & Parcel Return Service Contract 5 (Order No. 2431). On November 13, 2015, the Commission approved the

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<sup>1</sup> Order No. 3080, Notice and Order Concerning Amendment to a Parcel Select & Parcel Return Service Negotiated Service Agreement, February 16, 2016.

<sup>2</sup> Notice of United States Postal Service of Amendment to Parcel Select and Parcel Return Service Contract 5, February 12, 2016 (Notice).

second amendment to Parcel Select & Parcel Return Service Contract 5 (Order No. 2813).

The Postal Service intends for the amendment to become effective one business day after the Commission completes its review. Notice at 1. The Postal Service requests to amend sections I.B, I.G, and I.M of the original contract. *Id.* Attachment A at 1-3. The Postal Service asserts that the Amendment will not impair the ability of the contract to comply with 39 U.S.C. § 3633(a). *Id.* Attachment B at 1. The Postal Service states that the terms of Parcel Select & Parcel Return Service Contract 5 “have changed as contemplated by the contract’s terms.” Notice at 1.

### III. COMMENTS

*Requirements of 39 U.S.C. § 3633.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service’s competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Public Representative has reviewed the Parcel Select & Parcel Return Service Contract 5, including all previous amendments, along with the financial data filed under seal with the Postal Service’s Notice. The Public Representative observes that the contract has changed beyond what was contemplated by the original contract terms. The amended contract makes changes that alter the contract and original financial model. For example, the Postal Service amended the financial model to include the tab: “DDU-PSLW-Sun” in Excel file “PS\_Amendment3\_Public.xls,” which was not present in the original filing.<sup>3</sup>

The Public Representative has reviewed the revised financial model and contract and observes that the Postal Service has taken a conservative approach to integrating the new terms of the contract into the financial model. Therefore, the financial model is

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<sup>3</sup> See Request of the United States Postal Service to Add Parcel Select and Parcel Return Service Contract 5 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors’ Decision, Contract, and Supporting Data, Excel file “PS\_Analysis\_Public.xls”, October 17, 2013.

likely to overestimate the costs associated with the amended contract terms. Based on the Postal Service's conservative approach, the Public Representative finds that the new contract terms are adequately incorporated into the revised financial model. The amended contract terms are also designed to ensure that their inclusion do not prohibit the contract as a whole from meeting the requirements of 39 U.S.C. § 3633(a).

While the data in the financial model are adequate for the current preliminary review, the Public Representative suggests that the Postal Service updates its financial model to incorporate actual costs, prices, and volumes.

The Public Representative concludes that the Parcel Select & Parcel Return Service Contract 5, as amended, should generate sufficient revenues to cover attributable costs and thereby satisfy 39 U.S.C. § 3633(a)(2).

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

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