

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
GLOBAL PLUS 2C CONTRACTS (MC2012-5)
NEGOTIATED SERVICES AGREEMENTS

Docket No.
CP2015-71

**NOTICE OF UNITED STATES POSTAL SERVICE OF PRICES UNDER
FUNCTIONALLY EQUIVALENT GLOBAL PLUS 2C
NEGOTIATED SERVICE AGREEMENT**
(May 16, 2016)

In accordance with 39 C.F.R. § 3015.5, the United States Postal Service (Postal Service) hereby gives notice of contingency prices pursuant to a Global Plus 2C contract.¹ The Global Plus 2C contract, which is the subject of this docket, includes as Qualifying Mail International Business Reply Service (IBRS), which is a service for U.S.-based entities that seek a channel for returned merchandise or other articles from their overseas customers. Such entities typically supply preprinted, prepaid IBRS packaging in which overseas customers can place used or defective consumer items and enter them in the mailstream at no direct cost.²

¹ The Postal Service is filing this notice in Docket CP2015-71 instead of a new docket, because in PRC Order No. 2025 the Commission determined that contingency prices established pursuant to the IBRS agreement that was the subject of Docket No. CP2012-59 should be considered in the same docket, instead of in a new docket. PRC Order No. 2025, Notice and Order Concerning Change in Prices Under International Business Reply Service Competitive Contract 3 Negotiated Service Agreement. Docket No. CP2014-36 and CP2012-59, March 18, 2014, at 2.

² See Request of the United States Postal Service to Add International Business Reply Service Contracts to the Competitive Products List, and Notice of Filing (Under Seal) Contract and Enabling Governors' Decision, Docket Nos. MC2009-14 and CP2009-20, December 24, 2008, Attachment 1, at 2 (statement of Jo Ann Miller); see *also* Notice of United States Postal Service Filing of Functionally Equivalent International Business Reply Service Contracts 1 Negotiated Service Agreement, Docket No. CP2009-22, January 30, 2009, at 3-4 ("In essence, with IBRS, the Postal Service is providing customers an option for return transportation of used or defective lightweight articles. The customers for IBRS contracts, including this one, are businesses that sell lightweight articles to foreign consumers and desire to offer their consumers a way to return those articles for recycling, refurbishing, repair, or other value-added processing").

I. Explanation of Contingency Prices Pursuant to the Contract that is the Subject of this Docket

The instant contingency prices are set forth in a term of the Global Plus 2C contract that is the subject of this docket, which expires on May 31, 2016.³ In Order No. 2507, the Postal Regulatory Commission (Commission) noted that the agreement that is the subject of this docket, “like previous International Business Reply Service competitive agreements, includes clauses addressing cost increases and contingent pricing that allow the Postal Service flexibility to change rates without entering into a new agreement.”⁴ The Commission stated that it addressed “the implications of contingency pricing clauses in Order No. 178 [in Docket No. CP2009-20] and concluded that the Postal Service must file notice of rate changes occurring under such clauses pursuant to 39 C.F.R. §3015.5 and provide a minimum of 15 days’ notice (footnote omitted).”⁵ Thus, in accordance with PRC Order No. 178, the Postal Service respectfully requests that the Commission include the instant contingency arrangement within the Global Plus 2C designation on the competitive products list.

The Postal Service emphasizes that the instant contingency prices are likely to apply to an extremely small number of postal items, because of the mailer’s profile and as a result of the passage of time after the contract’s expiration. The contingency prices provided to the mailer in the letter that is the subject of this notice are to remain in effect unless the Postal Service chooses to modify those prices. Similar to the prices in the letter to an IBRS customer that was the subject of Docket No. CP2013-28, the prices in

³ PRC Order No. 2507, Order Approving Additional Global Plus 2C Negotiated Service Agreement, Docket No. CP2015-71, May 27, 2015, at 2.

⁴ *Id.* at 5.

⁵ *Id.* at 5-6.

the letter that is the subject of this notice are not limited to the next calendar year.⁶ The Postal Service respectfully urges the Commission to act promptly and proportionately by acknowledging this notice and, if necessary, adding the arrangement described in this notice to the Global Plus 2C product on the competitive products list as requested.

II. Identification of Filed Materials

The letter to the customer with the contingency prices that will take effect on June 1, 2016, and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. A redacted version of the letter to the customer is attached as Attachment 1. The certified statement required by 39 C.F.R. § 3015.5(c)(2), with redactions to customer-identifying information, is marked as Attachment 2. A redacted version of the Governors' Decision that authorizes Global Plus 2C contracts was included as Attachment 3 to the Postal Service's initial filing in this docket. The Postal Service hereby incorporates by reference the application for non-public treatment that was included as Attachment 4 in the Postal Service's initial filing in this docket.⁷ A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

III. Functional Equivalency to Global Plus 2C Contracts

The instant contingency arrangement is very similar to the contingency arrangements included in the Global Plus 2C baseline contracts in Docket Nos. MC2012-5, CP2012-10, and CP2012-11. In PRC Order No. 2507, the Commission

⁶ See Notice of United States Postal Service Of Prices Under Functionally Equivalent International Business Reply Service Competitive Contract 1 Negotiated Service Agreement. Docket No. CP2013-28, December 14, 2012.

⁷ Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 2C Contract Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. CP2015-71, May 15, 2015, Attachments 3 and 4.

determined that the Global Plus 2C contract that is the subject of this docket is “substantially similar” to the Global Plus 2C baseline agreements. In addition, the Commission concluded that the differences between the contract that is the subject of this docket and the Global Plus 2C baseline agreements “do not fundamentally alter either the service the Postal Service will produce under the Agreement or the structure of the Agreement.”⁸ The nature of the IBRS service provided in the letter that is the subject of this filing and the IBRS service in the Global Plus 2C baseline contracts is essentially the same. To the extent that further comparison might be warranted, the Postal Service incorporates by reference its arguments regarding functional equivalence in Docket No. CP2015-71.⁹

IV. Conclusion

For the reasons discussed and as demonstrated by the financial data filed under seal, the Postal Service has established that the instant contingency prices under an expired Global Plus 2C contract are in compliance with the requirements of 39 U.S.C. § 3633. To the extent such a showing is required, the contingency arrangement is also functionally equivalent to those contemplated by the Global Plus 2C baseline contract filed in Docket Nos. MC2012-5, CP2012-10, and CP2012-11. Accordingly, this arrangement should be added to the Global Plus 2C product on the competitive products list.

⁸ PRC Order No. 2507, at 4.

⁹ Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 2C Contract Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. CP2015-71, May 15, 2015, at 4-8.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

Christopher C. Meyerson
Kyle Coppin
Attorney

475 L'Enfant Plaza, S.W. Rm. 6017
Washington, D.C. 20260-1137
(202) 268-7820; Fax -5628
christopher.c.meyerson@usps.gov
May 16, 2016



May 6, 2016

Dear [REDACTED]

Thank you for your continued use of United States Postal Service (USPS) products and services. We value and appreciate the business relationship that we have with [REDACTED]

As you are aware, the Global Plus 2 Service Agreement between the USPS and [REDACTED] will expire on May 31, 2016. Article 34 of that Agreement provides that:

In the event that either the Mailer or the USPS terminates this Agreement under the terms of Article 14 or Article 27 before the expiration date set forth in Article 12 above, or in the event that the Mailer and the USPS do not enter into a Global Plus 2 agreement upon the expiration of this current Agreement, the Mailer shall pay postage for any International Business Reply Service Qualifying Mail the USPS receives after the agreed upon termination date or expiration date, as appropriate, at a price that is twice the price listed in Annex 1. These prices shall have no bearing on the price the USPS shall charge in the event that the Mailer and the USPS do enter into a Global Plus 2 agreement concerning International Business Reply Service from Canada upon the expiration of this current Agreement. These prices shall be valid until such time as they are revised at the sole discretion of the USPS.

In keeping with the terms of Article 34, the USPS is hereby informing you of the prices it will charge [REDACTED] for International Business Reply Envelopes received from Canada beginning on June 1, 2016. These prices are detailed in an enclosure to this letter. These prices shall stay in effect indefinitely. However, the USPS reserves the right to modify the prices in the future upon thirty (30) days' notice of any such change.

The prices in the enclosed price table are subject to review by the Postal Regulatory Commission (PRC). Please see the enclosed disclosure statement concerning the filing of business information with the PRC. Thank you for your business and your continued support of the USPS.

Sincerely,

A handwritten signature in cursive script that reads "Frank A. Cebello".

Frank A. Cebello
Director, International Sales

Enclosures: Disclosure Statement
Price Table

Disclosure Statement – USPS Filings with the Postal Regulatory Commission

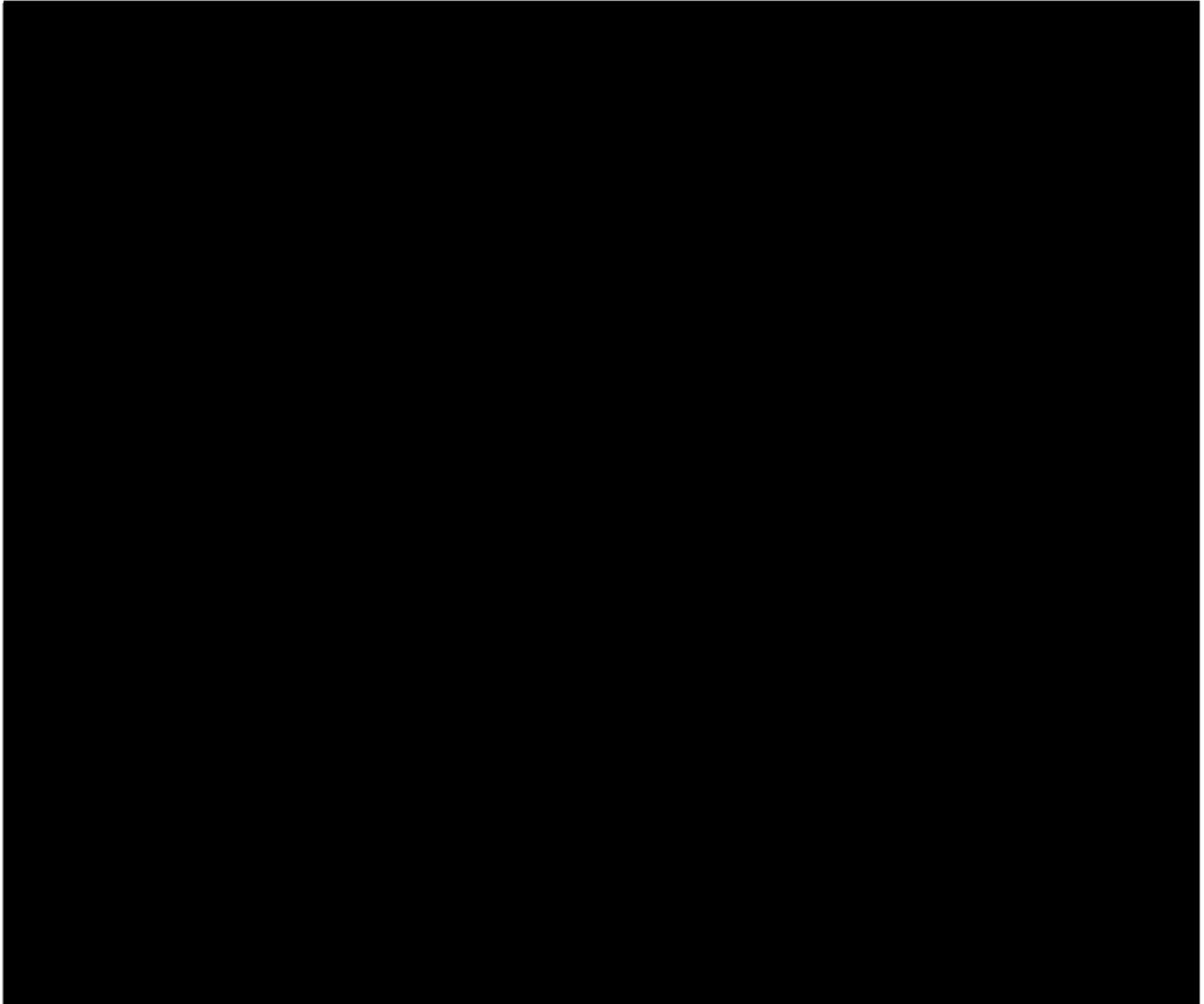
The United States Postal Service (USPS) is subject to regulation by the Postal Regulatory Commission (Commission), which is an independent U.S. government agency. The USPS is aware that [REDACTED] may have an interest in some of the information filed in proceedings at the Commission related to this letter. As a result, if the USPS believes that non-public treatment is appropriate for such information, the USPS will designate such information as “non-public” and file it under seal. In other words, certain information that the USPS provides to the Commission will not be publicly available on the Commission’s website, rather, it will be available only to the Commission’s staff and third persons who are able to certify that they are not involved in competitive decision making. The seal will apply for ten (10) years, although an interested person may file a request for early termination of the seal. In addition, the USPS may be required to file information in connection with this letter (including revenue, cost, or volume data) in other Commission dockets, including Commission Docket Numbers ACR2015 and ACR2016. Any subsequent Commission Docket Numbers will be identified as ACRXXXX, where XXXX identifies the year in question.

Under U.S. law (Title 39, Code of Federal Regulations, Part 3007), whenever the USPS files information non-publicly, the USPS is required to notify any organization that may have an interest in such information that the USPS is filing non-public information with the Commission. Together with such non-public information, the USPS is required to file an application for the Commission to treat such information as non-public (“an application for nonpublic treatment”). Therefore, in accordance with Title 39, Code of Federal Regulations, Section 3007.20(b), the USPS is notifying you that it will be filing non-public information with the Commission together with an application for non-public treatment.

The USPS is also required to notify you that your organization may address any confidentiality concerns that you may have directly with the Commission. The procedure for making a third-party application to the Commission for non-public treatment of materials believed to be protected from disclosure may be found at Title 39, Code of Federal Regulations, Section 2007.22. You can view these regulations the Commission’s website, <http://www.prc.gov/Docs/63/63467/Order225.pdf>.

The USPS will inform you of the docket number for its filing at the Commission concerning this letter once that docket number is assigned. You may be able to access materials related to the enclosed price table under that docket number on the Commission’s public website.

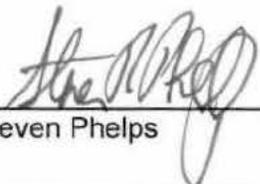
**PRICES FOR INTERNATIONAL BUSINESS REPLY MAIL ITEMS
RECEIVED FROM CANADA
ON BEHALF OF [REDACTED]
BEGINNING JUNE 1, 2016**



Certification of Prices for the Global Plus 2 Contract with
[REDACTED]

I, Steven Phelps, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Plus 2 Contract with [REDACTED]. The prices contained in this contract were established by the 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, issued on March 22, 2011 (Governors' Decision No. 11-6), which established prices by means of price floor formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] Contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage in excess of the minimum required by the Governors' Decision, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Plus 2 Contracts should be even smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Steven Phelps