

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

Competitive Product Prices
Global Plus 1C Contracts (MC2012-6)
Negotiated Service Agreement

Docket No. CP2016-205

PUBLIC REPRESENTATIVE COMMENTS ON A
POSTAL SERVICE NOTICE CONCERNING
AN ADDITIONAL GLOBAL PLUS 1C
NEGOTIATED SERVICE AGREEMENT

(June 20, 2016)

The Public Representative hereby provides comments pursuant to the Commission Notice establishing Docket No. CP2016-205¹ to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of filing of an additional Global Plus 1 contract, to be added to the competitive products list.²

Customers Global Plus 1C contracts are Postal Qualified Wholesalers (PQWs) and other large business that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Priority Mail Express International Priority Mail International and/or Commercial ePacket service. Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers. *Id.* at 5.

Prices and classifications "not of general applicability" for Global Plus 1 contracts were previously established by Governors' Decision No. 08-8.³ In Order No. 85, the

¹ June 15, 2016

² Notice of the United States Postal Service of Filing A Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal June 14, 2016 (Notice).

³ 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 (Governors decision No. 11-6), March 22, 2011.

Commission authorized the addition of the Global Plus 1C product to the competitive product list and determined that the Global Plus 1 contracts filed in Docket Nos. CP2008-9 and CP2008-10 should be included within the product.⁴ The Commission also determined that the Global Plus 1 contracts filed in Docket Nos. CP2009-46 and CP2009-47 should be included in the Global Plus 1 product.⁵ Subsequently, the Commission approved the Global Plus 1A and Global Plus 1B products, and included the contracts filed in Docket Nos. CP2010-67 and CP2010-68, and Docket Nos. CP2011-39 and CP2011-40, within those products, respectively.⁶

In this proceeding, the Postal Service requests the inclusion of an additional Global Plus 1C product to the competitive products list. Notice at 1. The Postal Service has designated the Global Plus 1C contracts filed in Docket Nos. CP2012-12 and CP2012-13 as “baseline” agreements for comparison of potentially functionally equivalent agreements under the Global Plus 1C grouping. *Id.* at 4

This additional Global Plus 1C contract is scheduled to become effective on July 16, 2016, and remain in effect for a period of one year if the effective date of the agreement is the first of the month. *Id.* at 3.

COMMENTS

The Public Representative has reviewed the Postal Service’s Notice and the Statement of Supporting Justification (Attachment 2), the contract, and the Postal Service’s proposed revised text of the Mail Classification Schedule (MCS) for Global Plus Contracts. The Public Representative has also reviewed the supporting financial

⁴ PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9, and CP2008-10, June 27, 2008.

⁵ See PRC Order No. 265, Order Concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-46, July 31, 2009; *see also*, PRC Order No. 266, Order Concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-47, July 31, 2009.

⁶ See PRC Order No. 504, Order Approving Functionally Equivalent Global Plus 1A Contracts Negotiated Service Agreement, Docket Nos. MC2010-26, CP2010-67 and CP2010-68, July 30, 2010; *see also* PRC Order No. 622, Order Adding Global Plus 1B to the Competitive Product List and Approving Functionally Equivalent Global Plus 1B Contracts, Docket Nos. MC2011-7, CP2011-39, and CP2011-40, December 23, 2010.

model filed separately under seal for the Global Plus 1C contract that accompanied the Postal Service's Notice. Based upon that review, the Public Representative concludes that the Global Plus 1C contract satisfy the criteria of section 3642(b), concerning the classification of new competitive products, and comply with requirements section 3633(a), concerning rates for competitive products. In addition, the Public Representative believes that treatment of the instant functionally equivalent contracts as baseline agreements is appropriate.

Product Costs. 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.

As presented, the Postal Service's financial model does not directly address whether the addition of the Agreement to the Global Plus 1C product grouping will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the Postal Service's financial model indicates that the negotiated rates in the Agreement will generate sufficient revenue to cover its attributable costs. Therefore, the addition of the Agreement to the Global Plus 1C product grouping should not cause the product's cost coverage to fall below 100 percent - assuming the product currently covers its attributable costs.⁷ Under this assumption, the addition of the Agreement should allow the Global Plus 1C 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). Moreover, the Global Plus 1C product should improve the likelihood that competitive products as a whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3). The Commission will have an opportunity to

⁷ In the FY 2015 Annual Compliance Determination (ACD) Report, the Commission determined that the Global Plus 1C product covered the attributable costs. See Docket No. ACR2015, *Annual Compliance Determination*, March 28, 2016, at 89.

review the contract's financial results in the future ACD Report for compliance with 39 U.S.C. § 3633(a).

Functional Equivalence. In its Notice, the Postal Service explains that the instant Global Plus 1C contract is the immediate successor to the Global Plus 1B contracts in Docket Nos. CP2011-39 and CP2011-40. The Postal Service also states that the Global Plus 1C contract under consideration is substantially similar to the Global Plus 1C baseline contracts files in Docket Nos. CP12012-12 and CP2012-13. There are differences between this contract and the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. However, the Postal Service maintains that these differences “do not affect the market characteristics of the Global Plus 1C product.” Notice at 7. It therefore asserts that the instant contract is functionally equivalent to the baseline contracts. *Id.* at 8. The Public Representative agrees that these differences do not alter the conclusion that the two Global Plus 1C contracts are functionally equivalent.

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

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