Postal Regulatory Commission
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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 6 (MC2016-149)
Negotiated Service Agreement

Docket No. CP2016-233

PUBLIC REPRESENTATIVE COMMENTS ON POSTAL SERVICE NOTICE CONCERNING ADDITIONAL GLOBAL EXPEDITED PACKAGE SERVICES 6 NEGOTIATED SERVICE AGREEMENT

(July 7, 2016)

I. INTRODUCTION

The Public Representative hereby provides in response to the Commission's Notice.[1] In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of filing an additional Global Expedited Package Services 6 (GEPS 6) negotiated service agreement (Agreement).[2]

The Agreement is intended to become effective on July 15, 2016. Notice at 3. The Agreement is expected to remain in effect for one calendar year from the effective date, subject to early termination provisions. *Id.*

The Postal Service states that the Agreement is functionally equivalent in all pertinent respects to the baseline[3] GEPS 6 agreement and is in compliance with the

[1] Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, July 1, 2016
[2] Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 6 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, June 30, 2016.
[3] In Order No. 86, the Commission established GEPS as a product on the competitive product list. The Commission subsequently approved the addition of the GEPS 6 product to the competitive product list (MC2016-149), and included within that product a GEPS agreement (CP2016-188) that would serve as the baseline agreement for functional equivalence comparisons with future agreements. Since the addition of the GEPS 6 product to the competitive product list, the Commission has determined that one

requirements of 39 U.S.C. § 3633. Notice at 4-6. The Postal Service therefore requests that the Agreement be added to the GEPS 6 product grouping. *Id* at 6.

II. COMMENTS

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and financial model filed under seal. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, it appears that the Agreement should meet the requirements of 39 U.S.C. § 3633(a).

Functional Equivalence. The Postal Service asserts that the Agreement shares similar cost and market characteristics as those of the contract that is the subject of Docket No. CP2016-188, which serves as the baseline agreement for the GEPS 6 product grouping. *Id.* at 3. However, the Postal Service identifies differences between the Agreement and the GEPS 6 baseline agreement. *Id.* at 4-6. These differences are minor. The Public Representative concludes that the Agreement exhibits similar cost and market characteristics to the baseline agreement. Therefore, the Public Representative agrees that the Agreement is functionally equivalent to the baseline agreement and should be added to the GEPS 6 product.

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 financial model shows that the Agreement will have a cost coverage that exceeds 100 percent. However, the financial model does not show the cost coverage impact on the addition of the Agreement to the GEPS 6 product. Because the Agreement's cost coverage is above 100 percent, the addition of the Agreement to the GEPS 6 product will not likely cause the GEPS 6 product's cost coverage to fall below 100 percent. The addition of the Agreement to the GEPS 6 product should not prohibit

additional GEPS 6 agreements was functionally equivalent to the baseline agreement (CP2016-189) and should be included in the GEPS 6 (MC2016-149) product.

competitive products as a whole from complying with 39 U.S.C. § 3633(a)(1) and 39 U.S.C. § 3633(a)(3).

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

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