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

Competitive Product Prices
Global Plus 1D Contracts (MC2012-6)
Negotiated Service Agreements

Docket No. CP2016-245

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

(July 19, 2016)

The Public Representative hereby provides comments pursuant to the Commission's Notice initiating the above referenced docket.[1] In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Notice of Filing of An Additional Global Plus 1D Contract to be added to the competitive products list.[2]

Customers Global Plus 1D 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 4.

Prices and classifications "not of general applicability" for Global Plus 1 contracts were previously established by Governors' Decision No. 08-8.[3] As noted by the Postal

[1] PRC, Notice Initiating Docket No. CP2016-234 et. al., July 14, 2016
[2] Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal July 13, 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,

Service, subsequently, the Commission determined that the Global Plus 1 contracts filed in Docket Nos. CP2008-9 and CP2008-10, and the Global Plus 1 contracts filed in Docket Nos CP2009-46 and CP2009-47, were functionally equivalent to each other and were included within the Global Plus 1 product on the competitive products list. In addition the commission added the contracts filed in Docket Nos. CP2010-67 and CP2010-68 to the competitive product list as a new product, Global Plus 1A: the contracts filed in Docket Nos. CP2011-39 and CP2011-40 to the competitive products list as a new product, Global Plus 1B; the contracts filed in Docket Nos. CP2012-12 and CP2012-13 to the competitive products list as a new product Global Plus 1C; and the contract filed in Docket No.CP2016-193 as a new product, Global Plus 1D. Notice at 2

In this proceeding, the Postal Service requests the inclusion of an additional Global Plus 1D product to the competitive products list. *Id*. at 1 The Postal Service has designated the Global Plus 1D contract filed in Docket Nos. CP2016-193 as the "baseline" agreement for comparison of potentially functionally equivalent agreements under the Global Plus 1D grouping. *Id.* at 4

The Postal Service's Notice indicates that the effective date of the instant contract is intended to be August 1, 2016. It is expected to have a term of 1 year subject to early termination under certain conditions.

COMMENTS

The Public Representative has reviewed the Postal Service's Notice and the instant contract. The Public Representative has also reviewed the supporting financial models filed separately under seal for the Global Plus 1D contract that accompany the Postal Service's Notice. Based upon that review, the Public Representative concludes that the Global Plus 1D contracts satisfy the criteria of section 3642(b), concerning the classification of new competitive products, and comply with requirements of Section 3633(a), concerning rates for competitive products.

Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (Governors Decision No. 08-8), May 22, 2008. Also see Governor's Decision No. 11-6, March 22, 2016. (Filed as Attach 4).

Product Costs. Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. In this proceeding, the Postal Service asserts that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. Thus this new Global Plus 1D contract is in compliance with the requirements of 39 U.S.C. § 3633." Attach. 2. The financial model accompanying the Postal Service's Request indicates that the negotiated prices in this Global Plus 1D contract should generate sufficient revenue to cover costs.

Functional Equivalence. In its Notice, the Postal the Postal Service states that the Global Plus 1D contract under consideration is substantially similar to the Global Plus 1D baseline contract filed in Docket No. CP2016-193. There are differences between this contract and the baseline contract that is the subject of Docket Nos.CP2016-193. However, the Postal Service maintains that these differences "do not affect the market characteristics of the Global Plus 1D product." *Id.* It therefore asserts that the instant contract is functionally equivalent to the baseline contract. *Id.* at 5 The Public Representative agrees that these differences do not alter the conclusion that the two Global Plus 1D contracts are functionally equivalent.

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

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