Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Reseller Expedited Package Contracts 2
(MC2013-51)
Negotiated Service Agreement

Docket No. CP2016-243

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF FILING AN ADDITIONAL
GLOBAL RESELLER EXPEDITED PACKAGE 2
NEGOTIATED SERVICE AGREEMENT

(July 21, 2016)

Introduction

The Public Representative hereby provides comments pursuant to a Commission notice.[1] In that notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, regarding the Notice of the United States Postal Service of filing a functionally equivalent Global Reseller Expedited Package 2 (GREP 2) Negotiated Service Agreement.[2]

Prices and classifications not of general applicability for GREP contracts were previously established by Governors' Decision No. 10-1, issued March 24, 2010. *Notice* at 1. In Order No. 1746, the Commission designated the agreement that is the subject of Docket Nos. MC2013-51 and CP2013-64 as the baseline agreement for the GREP 2 product. *Id.* at 3. The contract filed in that Docket serves as the "baseline" agreement

[1] Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings. July 14, 2016.

[2] Notice of United States Postal Service of Filing a Functionally Equivalent Global Reseller Expedited Package 2 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal. Docket CP2016-243. July 13, 2016. (Notice)

for comparison of functional equivalency analysis with respect to future GREP contracts. *Id*.

The Postal Service states that the GREP contract subject to Docket No. CP2016-243 is "functionally equivalent in all pertinent respects" to the contract that this is subject of Docket Nos. MC2013-51 and CP2010-64. *Id* at 8. The Postal Service, therefore, requests that this contract "be added to the GREP 2 product grouping." *Id.* at 9.

Discussion

Functional Equivalence. The Postal Service states that the instant contract is "substantially similar to the contract filed in Docket Nos. MC2013-51 and CP2013-64" which serves as the baseline agreement. *Id* at 3. More specifically, the Postal Service asserts that the "functional terms" of the contract "are the same as those of the [baseline] agreement," and that the instant contract "shares the same cost and market characteristics," as well. *Id* at 4.

The Postal Service provides a comprehensive list of the differences between this contract and the contract that is the subject of the baseline dockets. *Notice* at 5. These differences include changes to several Articles, Annexes, and reorganized definitions. *Id* at 7. After reviewing the public and under seal materials, the Public Representative concurs with the Postal Service that these differences do not "affect either the fundamental service…or the fundamental structure of the contract." *Id* at 8.

Requirements of 39 U.S.C. § 3633. Pursuant to section 3633(a), prices for competitive products must cover each product's attributable costs, not result in subsidization of competitive products by market dominant products, and enable competitive products as a whole to contribute an appropriate share to the institutional costs of the Postal Service. In this proceeding, the Postal Service's financial model indicates that the negotiated prices in the instant contract will cover costs, as well as exceed the minimum cost coverage approved in Governor's Decision No. 10-1. Based upon a review of that model, it also appears that the negotiated prices satisfy the requirements of section 3633(a).

The Public Representative has reviewed the Postal Service's Notice, the instant GREP contract, and the supporting financial model filed under seal that accompanied the Notice. Based upon that review, the Public Representative recommends the approval of the instant contract and concludes that the instant contract is functionally equivalent to the baseline agreement.

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