

ORDER NO. 3460

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

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Nanci E. Langley, Vice Chairman;  
Mark Acton; and  
Tony Hammond

Competitive Product Prices  
Priority Mail Express, Priority Mail &  
First-Class Package Service Contract 5 (MC2016-9)  
Negotiated Service Agreement

Docket No. CP2016-11

ORDER APPROVING AMENDMENT TO  
PRIORITY MAIL EXPRESS, PRIORITY MAIL & FIRST-CLASS PACKAGE SERVICE  
NEGOTIATED SERVICE AGREEMENT

(Issued August 11, 2016)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail Express, Priority Mail & First-Class Package Service negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

In Order No. 2796, the Commission approved the Priority Mail Express, Priority Mail & First-Class Package Service Contract 5 negotiated service agreement (Existing

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<sup>1</sup> Notice of United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Express, Priority Mail & First-Class Package Service Contract 5, with Portions Filed Under Seal, August 10, 2016 (Notice). The Amendment is an attachment to the Notice (Amendment).

Agreement).<sup>2</sup> On August 10, 2016, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement.

The Postal Service intends for the Amendment to become effective two business days after the date that the Commission completes its review of the Notice. Notice at 1.

## II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment replaces section I.H.1 of the Existing Agreement and states that “[f]rom the effective date of this amendment through October 29, 2016, Customer will pay Rate Group 2 prices as outlined in Section I.I” of the Existing Agreement. Notice, Attachment A at 1. The Notice states that the Amendment will not materially affect the Existing Agreement's cost coverage and that the “supporting financial documentation and financial certification initially provided in this docket remain applicable.” Notice at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as

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<sup>2</sup> Docket Nos. MC2016-9 and CP2016-11, Order Adding Priority Mail Express, Priority Mail & First-Class Package Service Contract 5 to the Competitive Product List, November 2, 2015 (Order No. 2796). The contract was later amended. See Order No. 3187, Order Approving Amendment to Priority Mail Express, Priority Mail & First-Class Package Service Negotiated Service Agreement, March 29, 2016.

amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

*Other considerations.* The Postal Service states that the Amendment shall become effective two business days after the date that the Commission completes its review. *Id.* The Existing Agreement, as amended, is set to expire on February 2, 2019, unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>3</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Existing Agreement, as amended.

### III. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Express, Priority Mail & First-Class Package Service Contract 5 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Stacy L. Ruble  
Secretary

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<sup>3</sup> See Order No. 2796 at 6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.