

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Plus 1D Contracts (CP2016-193)
Negotiated Services Agreements

Docket No. CP2016-265

Public Representative Comments on Postal Service Notice Concerning Additional
Global Plus 1D Negotiated Service Agreement

(August 29, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission Notice initiating this docket.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 Plus 1D negotiated service agreement (Request).² The Agreement is expected to remain in effect for one calendar year from the effective date. Request at 3.

The Postal Service states that the Agreement is functionally equivalent in all pertinent respects to the baseline Global Plus 1D agreement and is in compliance with the requirements of 39 U.S.C. § 3633. Request at 2. The Postal Service therefore requests that the Agreement be added to the Global Plus 1D product grouping. *Id* at 3.

¹ PRC Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 23, 2016 (Notice).

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, August 22, 2016 (Request).

II. COMMENTS

The Public Representative has reviewed the Postal Service's Request, the Agreement, and the 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. CP2016-193, which serves as the baseline agreement for the Global Plus 1D product grouping. Request at 3-4. However, the Postal Service identifies differences between the Agreement and the Global Plus 1D baseline agreement. *Id.* at 5. These differences appear 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 Global Plus 1D 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 Global Plus 1D product. Because the Agreement's cost coverage is above 100 percent, the addition of the Agreement to the Global Plus 1D product will not likely cause the Global Plus 1D product's cost coverage to fall below 100 percent. In addition, the addition of the Agreement to the Global Plus 1D product should not prohibit competitive products as a whole from complying with 39 U.S.C. § 3633(a)(1) and 39 U.S.C. § 3633(a)(3).

Financial Model Inputs. The financial model provided includes revised inputs based on USPS-LR-CP2016-261/NP1. In Order No. 3488 the Commission found that

the revisions in USPS-LR-CP2016-261/NP1 were changes in analytical principals and requested that the Postal Service initiate a proceeding under 39 C.F.R. 3050.11 if it intended to use the new methodology in USPS-LR-CP2016-261/NP1 for other agreements. Order No. 3488 at 6. The Commission's Order was filed after the Postal Service had submitted the instant docket, therefore the Postal Service used USPS-LR-CP2016-261/NP1 as an input in the instant docket.

The Public Representative reviewed the agreement using the Commission accepted methodology and determined that the Agreement is likely to meet the requirements of to 39 U.S.C. § 3633(a) using the Commission accepted methodology.

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

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