

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
Parcel Select & Parcel Return Service Contract 5
(MC2014-1)
Negotiated Service Agreement

Docket No. CP2014-1

ORDER APPROVING MODIFICATION OF ATTACHMENT A TO PARCEL SELECT
& PARCEL RETURN SERVICE NEGOTIATED SERVICE AGREEMENT

(Issued September 6, 2016)

I. INTRODUCTION

The Postal Service seeks to modify Attachment A to Parcel Select & Parcel Return Service Contract 5.¹ For the reasons discussed below, the Commission approves the Modification.

¹ Notice of United States Postal Service of Changes to Attachment A of Parcel Select and Parcel Return Service Contract 5, with Portions Filed Under Seal, August 31, 2016 (Notice). Because of the nature and extent of the changes proposed to Attachment A, the Commission will consider the modification of Attachment A to be a modification of the agreement. The Modification is an attachment to the Notice (Modification).

In Order No. 1863, the Commission approved the Parcel Select & Parcel Return Service Contract 5 negotiated service agreement (Existing Agreement).² On August 31, 2016, the Postal Service filed notice that it has agreed to the Modification to the Existing Agreement.

The Postal Service intends for the Modification to take effect on September 1, 2016. Notice at 1. The Postal Service states that the supporting financial documentation and financial certification previously provided in this docket remain applicable. *Id.* The Postal Service asserts that the Modification will not materially affect the cost coverage of the Existing Agreement. *Id.*

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 Modification removes certain ZIP Codes from Attachment A of the Existing Agreement. Notice, Attachment at 1. The Modification does not materially affect the

² See Docket Nos. MC2014-1 and CP2014-1, Order Adding Parcel Select & Parcel Return Service Contract 5 to the Competitive Product List, October 29, 2013 (Order No. 1863). The contract has previously been amended three times. See Order No. 2431, Order Approving Amendment to Parcel Select & Parcel Return Service Negotiated Service Agreement, April 8, 2015; Order No. 2813, Order Approving Amendment to Parcel Select & Parcel Return Service Negotiated Service Agreement, November 13, 2015; Order No. 3109, Order Approving Amendment to Parcel Select & Parcel Return Service Negotiated Service Agreement, February 29, 2016.

cost coverage or compliance with existing regulatory requirements of the Existing Agreement. The Commission finds that the Modification 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 Modification is intended to take effect on September 1, 2016. The Modification is dated August 31, 2016, and was filed with the Commission on that date. Under the circumstances, the Commission was unable to complete its review of the Notice until today. Accordingly, the Modification is approved to be effective as of the date of this Order.

The Existing Agreement, as amended, is set to expire five years after the initial effective date 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.³

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 Modification to the Existing Agreement.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Modification to Attachment A to Parcel Select & Parcel Return Service Contract 5 effective September 6, 2016.

³ Docket Nos. MC2014-1 and CP2014-1, Request of the United States Postal Service to Add Parcel Select and Parcel Return Service Contract 5 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, October 17, 2013, Attachment B at 13. 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.

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