

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

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

Docket No. CP2014-1

Public Representative Comments on Postal Service Notice of
Amendment to Parcel Select & Parcel Return Service Contract 5

(October 3, 2016)

I. INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings.¹ In that Notice, the Commission reopens the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice to amend an existing Parcel Select and Parcel Return Service Contract 5 negotiated service agreement (Amendment).² The Commission issued CHIR No. 2 on September 27, 2016 and the Postal Service responded on September 30, 2016.

II. BACKGROUND

This is the fourth amendment to Parcel Select & Parcel Select Contract 5 (Amendment). The Commission first approved the original Parcel Select & Parcel Select Contract 5 in Order No. 1863, dated October 29, 2013. On April 8, 2016, the

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, September 27, 2016.

² Notice of United States Postal Service of Amendment to Parcel Select and Parcel Return Service Contract 5, with Portions Filed Under Seal, September 23, 2016 (Notice).

Commission approved the first amendment to Parcel Select & Parcel Select Contract 5 (Order No. 2431), on November 13, 2015 the Commission approved the second amendment to Parcel Select & Parcel Select Contract 5 (Order No. 2813), and on February 29, 2016 the Commission approved the third amendment (Order No. 3109).

The Postal Service intends for the Amendment to become effective one business day after the Commission completes its review. Notice at 1. The Amendment revises Section I.J and Section III of the original contract. *Id.* at Attachment A. These revisions alter the annual adjustments for the contract, the expiration date of the contract, and termination requirements. The Postal Service asserts that the Amendment will not materially affect the cost coverage of Parcel Select & Parcel Return Service Contract 5. Notice at 1. The Postal Service states that the terms of Parcel Select and Parcel Return Service Contract 5 “have changed as contemplated by the contract’s terms”. *Id.*

III. COMMENTS

Requirements of 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 Public Representative has reviewed Parcel Select & Parcel Select Contract 5, including the instant and previous amendments, along with financial data filed under seal in the Annual Compliance Report and previous amendments. The Postal Service did not file revised financial workpapers for the Amendment because the Amendment does not directly impact the financial workpapers. Traditionally, the financial workpapers only estimate the instant contract year cost coverage and do not factor in annual price adjustments. The Commission does not require the Postal Service to estimate the contract’s cost coverage beyond the instant contract year. However, when amendments are made to the annual adjustments it would be beneficial if they Postal Service would file estimates of the contract’s cost coverage beyond the instant contract year.

Based on the Public Representative's review of available information the Amendment should not prohibit Parcel Select & Parcel Return Service Contract 5 from continuing to meet the requirements of 39 U.S.C. § 3633(a). A financial analysis demonstrating that the amended annual adjustment method would have been helpful to ensure that the requirements of 39 U.S.C. § 3633(a) will continue to be met. The Commission will be able to track the contract's financial performance in future Annual Compliance Reports and ensure the annual adjustments are adequate to ensure the requirements of 39 U.S.C. § 3633(a) continue to be met.

The Public Representative respectfully submits the preceding Comments for the Commission's consideration.

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