

Press Release

September 18, 2008

PRC Approves Negotiated Service Agreements Enhancing Postal Service Pricing and Product Flexibilities

Washington, DC – Continuing its implementation of the Postal Accountability and Enhancement Act of 2006 (PAEA), the Postal Regulatory Commission this week approved seven competitive negotiated service agreements requested by the United States Postal Service. Approval was contained in Commission Order No. 107. To date, the Commission has approved seventeen competitive negotiated service agreements since the new rules governing these agreements became effective last year. Two proposed agreements are under review at this time.

“These agreements reflect the PAEA’s intent to grant the Postal Service increased pricing and product flexibility,” said Chairman Dan Blair. “The Commission, in preparing its Annual Compliance Determination Report, will exercise its review of the revenues and costs associated with each negotiated service agreement. We stand ready to work with the Postal Service, its customers, and postal stakeholders in the interest of future agreements.”

The PAEA authorized the Postal Service to negotiate customer-specific service agreements for both market dominant and competitive products. The requirements for service agreements for competitive products decisions do not differ from those for any other competitive product rate change, as set out in section 3633 of the PAEA. Therefore, any competitive negotiated service agreement must:

- (1) avoid the subsidization of competitive products by market-dominant products;
- (2) ensure that each competitive product covers its attributable costs; and
- (3) ensure that all competitive products collectively cover an appropriate share of the Service’s institutional costs.

The Act also permits market-dominant negotiated service agreements.

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