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§ 3041.515 Extensions.

(a) A negotiated service agreement may be extended prior to its expiration date upon one of the following:

(1) Timely filing of notice with the Commission of the valid exercise of an extension right in the negotiated service agreement; or

(2) Approval by the Commission of a timely filed amendment extending the expiration date of the negotiated service agreement.

(b) For the purposes of paragraph (a) of this section, a notice or amendment is timely filed if it is filed at least 7 days prior to the expiration of the negotiated service agreement.

(c) Upon expiration, a negotiated service agreement shall be removed automatically from the competitive product list.

(d) No negotiated service agreement shall remain on the competitive product list following its expiration. An expired negotiated service agreement shall not be extended retroactively.

(e) Notwithstanding any other rule in this chapter, the prohibitions in paragraph (d) of this section shall not be waived.

§ 3041.520 Terminations.

(a) The Postal Service shall file notice of the termination of a negotiated service agreement within 7 days after such termination.

(b) Upon termination, a negotiated service agreement shall be removed automatically from the competitive product list. No negotiated service agreement shall remain on the competitive product list after its termination.

Subpart F—Negotiated Service Agreement Reporting and Compliance

§ 3041.605 Competitive negotiated service agreement reporting requirements.

(a) The Postal Service must file, on a quarterly basis, a summary spreadsheet listing all negotiated service agreements active during any part of the prior quarter. Negotiated service agreements must be listed by Mail Classification Schedule section or in

such other way as the Commission requires by order. Such spreadsheet must identify all extensions, expirations, and terminations of negotiated service agreements and any other information the Commission requires by order.

(b) A report is due within 14 days after the last day of each quarter of the fiscal year.

(c) Upon finding that any report contains significant omissions, inaccuracies, or other deficiencies, the Commission may take any of the following actions:

(1) Require the Postal Service to file such reports on a more frequent basis;

(2) Require a Postal Service executive to submit a sworn statement attesting to the accuracy and completeness of each subsequent report; and

(3) Impose other conditions the Commission finds reasonable and appropriate to ensure the accuracy and completeness of such reports.

PART 3045—RULES FOR MARKET TESTS OF EXPERIMENTAL PRODUCTS

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AUTHORITY: 39 U.S.C. 503; 3641.

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§ 3045.1 Applicability.

The rules in this part apply to market tests of experimental products undertaken pursuant to 39 U.S.C. 3641.

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§ 3045.2 Advance notice.

The Postal Service shall file notice with the Commission of its determination to initiate a market test at least 30 days before initiating the market test.

§ 3045.3 Contents of notice.

(a) Notices of proposed market tests shall include:

(1) The basis for the Postal Service's determination that the market test is governed by 39 U.S.C. 3641, which shall:

(i) Describe, from the viewpoint of mail users, how the experimental product is significantly different from all products offered by the Postal Service within the 2 fiscal years preceding the start of the market test;

(ii) Establish that the introduction or continued offering of the experimental product will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns, as defined in § 3010.101(t) of this chapter; and

(iii) Identify the experimental product as either market dominant or competitive for purposes of the market test, and explain the reasoning for the categorization in accordance with the criteria set forth in 39 U.S.C. 3642(b)(1).

(2) A description of the nature and the scope of the market test that:

(i) Describes the market test and experimental product;

(ii) Demonstrates why the market test is not inconsistent with the requirements of 39 U.S.C. 3641;

(iii) Identifies the beginning and ending dates of the market test;

(iv) Describes the geographic market(s) where the market test may be conducted;

(v) Estimates the total revenue that is anticipated by the Postal Service for each fiscal year of the market test, including available supporting documentation; and

(vi) Includes a data collection plan for the market test, including a description of the specific data items to be collected. The minimum data collection plan requirements are described in § 3045.20.

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(b) [Reserved]

[79 FR 54563, Sept. 11, 2014, as amended at 85 FR 9659, Feb. 19, 2020]

§ 3045.4 Review.

(a) The Commission will establish a docket for each market test initiated under this part, promptly publish a notice in the FEDERAL REGISTER, and post the filing on its website. The notice shall:

(1) Describe the general nature of the proceeding;

(2) Refer to the legal authority under which the proceeding is to be conducted;

(3) Identify an officer of the Commission to represent the interests of the general public in the docket;

(4) Specify a period for public comment; and

(5) Include such other information as the Commission deems appropriate.

(b) [Reserved]

[79 FR 54563, Sept. 11, 2014, as amended at 85 FR 9660, Feb. 19, 2020]

§ 3045.5 Commission action.

(a) The Commission shall review the Postal Service notice together with any comments for initial compliance with the statutory requirements of 39 U.S.C. 3641, and:

(1) Find that the market test is consistent with the requirements of 39 U.S.C. 3641;

(2) Find that the market test is inconsistent with the requirements of 39 U.S.C. 3641 and provide an opportunity to correct the identified deficiencies;

(3) Find that the market test is inconsistent with the requirements of 39 U.S.C. 3641 and order that the market test not go into effect; or

(4) Direct other action as the Commission may consider appropriate.

(b) [Reserved]

§ 3045.6 Changes in market test.

(a) The Postal Service shall file a notice with the Commission describing each material change made to the market test or services offered under the market test at least 10 days before implementing such changes. Material changes are changes that may affect compliance with 39 U.S.C. 3641 and include, without limitation, adjustments

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to prices, geographic scope, eligibility for service, and termination date.

(b) The Commission may, in its discretion, notice the filing and provide an opportunity for comment.

§§ 3045.7–3045.9 [Reserved]

§ 3045.10 Duration.

A market test may not exceed 24 months in duration unless the Commission authorizes an extension pursuant to a request filed by the Postal Service under § 3045.11.

[85 FR 9659, Feb. 19, 2020]

§ 3045.11 Extension of market test.

(a) The Postal Service may request an extension of the duration of a market test, not to exceed an additional 12 months, if such an extension is necessary to determine the feasibility or desirability of a product being tested. The Postal Service must file a written request for extension with the Commission at least 60 days before the market test is scheduled to terminate.

(b) The request for extension shall:

(1) Explain why an extension is necessary to determine the feasibility or desirability of the experimental product;

(2) List the new end date for the market test;

(3) Calculate the total revenue received by the Postal Service from the market test for each fiscal year the market test has been in operation and provide supporting documentation for the calculations;

(4) Estimate the additional revenue that is anticipated by the Postal Service for each fiscal year remaining on the market test, including the requested extension period, and provide available supporting documentation; and

(5) Provide any additional information necessary for the Commission to evaluate the continued consistency with the requirements of 39 U.S.C. 3641.

(c) The Commission shall review the Postal Service request for extension to ensure that an extension is necessary in order to determine the feasibility or desirability of the experimental product and:

(1) Find that the extension is consistent with the requirements of 39 U.S.C. 3641;

(2) Find that the extension is inconsistent with the requirements of 39 U.S.C. 3641 and provide an opportunity to correct the identified deficiencies;

(3) Find that the extension is inconsistent with the requirements of 39 U.S.C. 3641 and deny the extension; or

(4) Direct other action as the Commission considers appropriate.

§ 3045.12 Cancellation of market test.

(a) The Postal Service may cancel a market test at any time. It shall file notice of cancellation with the Commission within 10 days of cancelling the market test.

(b) Pursuant to 39 U.S.C. 3641(f), the Commission may direct the Postal Service to demonstrate that the market test continues to meet the requirements of 39 U.S.C. 3641 and the Commission's rules. The Commission, in its discretion, may provide an opportunity for comments.

(c) Based upon its review, the Commission may:

(1) Find that the market test is consistent with the requirements of 39 U.S.C. 3641;

(2) Find that the market test is inconsistent with the requirements of 39 U.S.C. 3641 and provide an opportunity to correct the identified deficiencies;

(3) Find that the market test is inconsistent with the requirements of 39 U.S.C. 3641 and cancel the market test; or

(4) Direct other action as the Commission may consider appropriate.

§§ 3045.13–3045.14 [Reserved]

§ 3045.15 Dollar amount limitation.

(a) The Consumer Price Index used for calculations under this part is the CPI-U index, as specified in § 3030.141(a) of this chapter.

(b) An experimental product may only be tested if total revenues that are anticipated or received by the Postal Service do not exceed \$10 Million in any fiscal year, as adjusted for the change in the CPI-U index, as specified in paragraph (d) of this section (\$10 Million Adjusted Limitation). Total revenues anticipated or received may

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exceed the \$10 Million Adjusted Limitation in any fiscal year if an exemption is granted pursuant to § 3045.16.

(c) For each fiscal year, the \$10 Million Adjusted Limitation shall reflect the average CPI result during the previous fiscal year calculated as described in paragraph (d) of this section. The Commission shall publish this figure annually, after the close of the fiscal year, on its website at <http://www.prc.gov>.

(d) The calculation of the \$10 Million Adjusted Limitation involves the following steps. First, a simple average CPI-U index was calculated for fiscal year 2008 by summing the monthly CPI-U values from October 2007 through September 2008 and dividing the sum by 12 (Base Average). The resulting Base Average is 214.463. Then, a second simple average CPI-U index is similarly calculated for each subsequent fiscal year by summing the 12 monthly CPI-U values for the previous fiscal year and dividing the sum by 12 (Recent Average). Finally, the annual limitation for the current fiscal year is calculated by multiplying \$10,000,000 by the Recent Average divided by 214.463. The result is expressed as a number, rounded to the nearest dollar.

(e) The formula for calculating the \$10 Million Adjusted Limitation is as follows: \$10 Million Adjusted Limitation = \$10,000,000 * (Recent Average/214.463).

[79 FR 54563, Sept. 11, 2014, as amended at 84 FR 975, Feb. 1, 2019; 85 FR 9659, 9660, Feb. 19, 2020; 85 FR 81139, Dec. 15, 2020]

§ 3045.16 Exemption from dollar amount limitation.

(a) The Postal Service may request an exemption from the \$10 Million Adjusted Limitation by filing a written request with the Commission. In no instance shall the request for exemption exceed the market test dollar amount limitation of \$50,000,000 in any fiscal year, as adjusted for the change in the CPI-U index, as specified in paragraph (c) of this section (\$50 Million Adjusted Limitation).

(b) For each fiscal year, the \$50 Million Adjusted Limitation shall reflect the average CPI result during the previous fiscal year calculated as described in paragraph (c) of this section.

The Commission shall publish this figure annually, after the close of the fiscal year, on its website at <http://www.prc.gov>.

(c) The calculation of the \$50 Million Adjusted Limitation involves the following steps. First, a simple average CPI-U index was calculated for fiscal year 2008 by summing the monthly CPI-U values from October 2007 through September 2008 and dividing the sum by 12 (Base Average). The resulting Base Average is 214.463. Then, a second simple average CPI-U index is similarly calculated for each subsequent fiscal year by summing the 12 monthly CPI-U values for the previous fiscal year and dividing the sum by 12 (Recent Average). Finally, the annual limitation for the current fiscal year is calculated by multiplying \$50,000,000 by the Recent Average divided by 214.463. The result is expressed as a number, rounded to the nearest dollar.

(d) The formula for calculating the \$50 Million Adjusted Limitation is as follows: \$50 Million Adjusted Limitation = \$50,000,000 * (Recent Average/214.463).

(e) The Postal Service shall file its request for exemption at least 45 days before it expects to exceed the \$10 Million Adjusted Limitation.

(f) The request for exemption shall:

(1) Explain how the experimental product will:

(i) Benefit the public and meet an expected demand;

(ii) Contribute to the financial stability of the Postal Service; and

(iii) Not result in unfair or otherwise inappropriate competition;

(2) Calculate the total revenue received by the Postal Service from the market test for each fiscal year the market test has been in operation, and provide supporting documentation;

(3) Estimate the additional revenue that is anticipated by the Postal Service for each fiscal year remaining on the market test, including any extension period granted by the Commission in accordance with § 3045.11(c), and provide available supporting documentation; and

(4) Quantify the product specific costs associated with the development

of the market test; that is, costs incurred before the market test is implemented.

(g) The Commission shall review the request for exemption for consistency with the statutory requirements of 39 U.S.C. 3641 and:

(1) Find that the exemption is consistent with the requirements of 39 U.S.C. 3641;

(2) Find that the exemption is inconsistent with the requirements of 39 U.S.C. 3641 and provide an opportunity to correct the identified deficiencies;

(3) Find that the exemption is inconsistent with the requirements of 39 U.S.C. 3641 and deny the exemption; or

(4) Direct other action as the Commission may consider appropriate.

[79 FR 54563, Sept. 11, 2014, as amended at 84 FR 975, Feb. 1, 2019; 85 FR 9659, 9660, Feb. 19, 2020]

§ 3045.17 Prevention of market disruption.

Notwithstanding the \$10 Million Adjusted Limitation or any adjustment granted pursuant to § 3045.16, the Commission may limit the amount of revenues the Postal Service may obtain from any particular geographic market as necessary to prevent the creation of an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer, particularly in regard to small business concerns, as defined in § 3010.101(t) of this chapter.

[85 FR 9659, Feb. 19, 2020]

§ 3045.18 Request to add a non-experimental product or price category based on an experimental product to the product list.

(a) If the Postal Service seeks to add a non-experimental product or price category based on a former or current experimental product to the market dominant or competitive product list, the Postal Service shall file a request, pursuant to 39 U.S.C. 3642 and part 3040, subpart B of this chapter, to add a non-experimental product or price category to the applicable product list.

(b) The Postal Service shall comply with the requirements specified in paragraphs (c) through (e) of this section if the proposed non-experimental product or price category:

(1) Offers the same (or similar) service as a former or current experimental product;

(2) Has the same distinct cost or market characteristic as a former or current experimental product; or

(3) Uses (or is based on) data or assumptions from a former or current market test proceeding.

(c) A request filed under this section shall:

(1) Identify the market test and docket number that the proposed non-experimental product or price category is based on;

(2) Explain the relationship between the proposed non-experimental product or price category and market test or experimental product;

(3) Identify any assumptions from the market test that the request uses or is based on;

(4) Include all data from data collection reports filed during the market test in the financial model supporting the request, or separately identify and explain any differences between the data collection reports filed during the market test and the data used in the financial model supporting the request; and

(5) Quantify the product specific costs associated with the development of the market test; that is, costs incurred before the market test was implemented.

(d) The Postal Service must provide advance notice of a request filed under this section.

(1)(i) The requirements in this paragraph (d)(1) apply if the Postal Service seeks to add a non-experimental product or price category based on an experimental product to the competitive product list as an NSA. If the Postal Service seeks to continue the services provided under a market test immediately when the market test ends with no interruption in service, the Postal Service must file a request under this section at least 45 days before:

(A) The market test expires (including any extension period granted); or

(B) The market test is expected to exceed any authorized limitation specified in §§ 3045.15 and 3045.16 during any fiscal year, whichever is earlier.

(ii) In all other instances, the Postal Service must file a request under this

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section at least 45 days before the requested date for the Commission's decision.

(2)(i) The requirements in this paragraph (d)(2) apply if the Postal Service seeks to add a non-experimental product or price category based on an experimental product to the market dominant or competitive product list as a product other than a competitive NSA. If the Postal Service seeks to continue the services provided under a market test immediately when the market test ends with no interruption in service, the Postal Service must file a request under this section at least 60 days before:

(A) The market test expires (including any extension period granted); or

(B) The market test is expected to exceed any authorized limitation specified in §§3045.15 and 3045.16 during any fiscal year, whichever is earlier.

(ii) In all other instances, the Postal Service must file a request under this section at least 60 days before the requested date for the Commission's decision.

(e) The Postal Service shall also file a notice of a request filed under this section in the market test proceeding's docket if the market test proceeding's docket is an active case before the Commission. This notice shall include the applicable docket number(s) for the proceeding evaluating the request.

[84 FR 975, Feb. 1, 2019, as amended at 85 FR 9659, Feb. 19, 2020; 85 FR 29325, May 15, 2020]

§ 3045.19 [Reserved]

§ 3045.20 Data collection and reporting requirements.

(a) A notice of a market test shall include a data collection plan for the market test as required by §3045.3(a)(2)(vi). Data collection plans shall include, at a minimum:

(1) The revenue by fiscal quarter received to date by the Postal Service from the market test;

(2) Attributable costs incurred in conducting the market test, including product specific costs related to the administration of the market test; and

(3) Volumes of the experimental product by fiscal quarter.

(b) The Commission may request additional information or data as it deems appropriate.

(c) To assess the potential impact of a market test in a particular geographic market, the Commission may require the Postal Service to report the revenues from the market test for specified geographic markets.

(d) The Postal Service shall file the information required by the data collection plan in data collection reports. Data collection reports must be filed within 40 days after the close of each fiscal quarter during which the market test is offered, or such other period as the Commission may prescribe.

(e) The Postal Service shall file in its Annual Compliance Report information on each market test conducted during the fiscal year pursuant to §3050.21(h) of this chapter.

[79 FR 54563, Sept. 11, 2014, as amended at 85 FR 9659, Feb. 19, 2020]