

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ADDITION OF GLOBAL PLUS 2 NEGOTIATED SERVICE
AGREEMENTS TO THE COMPETITIVE PRODUCT LIST, AND
NOTICE OF FILING (UNDER SEAL) GOVERNORS' DECISION
AND TWO AGREEMENTS

Docket Nos.
MC2008-7
CP2008-16
CP2008-17

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD GLOBAL PLUS 2
NEGOTIATED SERVICE AGREEMENTS TO THE COMPETITIVE PRODUCT LIST,
AND NOTICE OF FILING (UNDER SEAL) THE ENABLING GOVERNORS' DECISION
AND TWO FUNCTIONALLY EQUIVALENT AGREEMENTS**
(August 8, 2008)

In accordance with 39 USC § 3642 and 39 CFR § 3020.30 et seq., the United States Postal Service (Postal Service) hereby requests that Global Plus 2 Negotiated Service Agreements (NSAs) be added to the competitive product list within the Mail Classification Schedule. The United States Postal Service also gives notice, pursuant to 39 USC § 3632(b)(3) and 39 CFR § 3015.5, that the Governors have established prices and classifications not of general applicability for Global Plus Contracts 2 and that the Postal Service has entered into two such contracts with customers. The Postal Service demonstrates below that the agreements are functionally equivalent. Accordingly, the Postal Service requests that the Postal Regulatory Commission (Commission) list these contracts as one product on the competitive products list.¹

¹ See Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9 and CP2008-10, June 27, 2008, at 8. While the Governors' Decision establishes prices and classifications for Global Plus Contracts 2, which include both Global Direct and Global Bulk Economy services, it also establishes stand-alone prices and classifications for both Global Direct and Global Bulk Economy, for which some customers have traditionally had individual contracts. At this time, however, the Postal Service is not asking the Commission to establish individual classifications for these

Attachment 1 to this Request is a redacted copy of the Governors' Decision, which includes proposed Mail Classification Schedule (MCS) language for the Global Plus Contracts 2 product. Attachment 2 is the Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, pursuant to Rule 3020.32.²

Identification of Existing Global Plus 2 Contracts

At present, the only Global Plus 2 contracts are those submitted with this filing and their terms both fit within the proposed MCS language. Both agreements are set to expire July 1, 2009.

Confidentiality

While the Commission intends to address broader confidentiality issues in the future,³ the Postal Service maintains that the contracts, related financial information, names of Global Plus 2 customers and certain portions of the Governors' Decision should remain confidential. The contracts contain pricing and other information related to mailer and Postal Service processes and procedures for handling the mail tendered under the contract. Related financial information contains cost and pricing information showing how prices are developed. Prices and other contract terms relating to the parties' processes and procedures are highly confidential in the business world and the Postal Service protects them in accordance with industry standards. The ability of the Postal Service to negotiate individual contracts would be severely compromised if prices

services in this Request. Rather, the Postal Service will make such requests at the time it enters contracts with customers for the individual services.

² An unredacted copy of the Governors' Decision and record of proceedings, the two Global Plus 2 contracts and other supporting documents establishing compliance with 39 CFR § 3015.5 are being filed separately with the Commission under seal.

³ See Order No. 86, Order Concerning Global Expedited Package Services Contract, Docket No. CP2008-5, June 27, 2008, at 7.

and other information pertaining to these types of agreements were publicly disclosed. Also, public disclosure would compromise the ability of respective shippers to negotiate favorable shipping services contracts in the future. Names of customers should remain confidential due to the substantial likelihood that the Postal Service's competitors would use such information to target their efforts and undercut the Postal Service's prices.

The Governors' Decision authorizes management to execute contracts containing prices that fall within a range determined by formulas that the Governors have established, producing results that comply with 39 USC § 3633(a)(1)-(3). Public disclosure of these formulas and related information would seriously undermine postal management's leverage in negotiations with customers. This pricing information is clearly of a commercial nature, and the Postal Service is aware of no competitor or private company of comparable size and scope that releases such information to the public. The specific information about price calculations in the Governors' Decision thus continues to merit confidential treatment.

Proposed Mail Classification Schedule Language

The proposed MCS language for the Global Plus Contracts 2, included as Attachment A to the Governors' Decision, contains many of the same provisions that were included in the Postal Service's original proposed MCS language for Global Plus Contracts.⁴ In response to Commission concerns that the originally proposed Global Plus MCS language covered a variety of different services and lacked specificity,⁵ the proposed language for the Global Plus Contracts 2 has been adapted to address

⁴ See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007.

⁵ Order No. 85, at 7-8.

explicitly only those Global Plus agreements combining Global Direct and Global Bulk Economy services.

Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

The Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, is included as Attachment 2 in accordance with Part 3020, Subpart B of the Rules of Practice and Procedure. This Statement provides support for the addition of the two Global Plus 2 contracts to the competitive products list.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market-dominant, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has been addressed in this case. With Order No. 43, the Commission has already assigned all NSAs concerning outbound international mail to the competitive category,⁶ and Global Plus 2 contracts are NSAs concerning outbound international mail. Therefore, there is no need to ponder further whether Global Plus 2 contracts are market-dominant or, by dint thereof, covered within the postal monopoly. The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed by Mr. Cebello's statement. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the competitive products list as requested.

⁶ PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. MC2007-1, October 29, 2007, App. A, at 9, 11.

Functional Equivalency of Global Plus Contracts 2

The two Global Plus 2 contracts under consideration are functionally equivalent in that they share similar cost and market characteristics and therefore should be classified as a single product.⁷ With their Decision, the Governors have established a pricing formula and classification that ensures that each contract meets the criteria of 39 U.S.C. § 3633 and the regulations promulgated thereunder. Therefore, the costs of each contract meet a common description. In addition, the language proposed for Section 2610.6 of the MCS requires that each Global Plus 2 contract must cover its attributable costs. The contracts at issue here meet the Governors' criteria and thus exhibit similar cost and market characteristics.

In a concrete sense as well, these Global Plus 2 contracts share the same cost and market characteristics. First, both of the customers for the Global Plus 2 contracts are large Postal Qualified Wholesalers (PQWs) with a common constituency of end users, who treat these respective service offerings as interchangeable.⁸ Further, these two Global Plus 2 contracts cover the same underlying services. Any difference in the volume levels between these or other Global Plus 2 contracts does not alter this equivalency, because the total costs associated with Global Plus 2 contracts are volume-variable. Both contracts further are linked to the revenue commitments in the Global Plus 1 contracts with these same customers, with the revenue commitment

⁷ In Order No. 85, the Commission concluded, that despite different revenue thresholds, the two Global Plus 1 contracts at issue, were "functionally equivalent in all pertinent respects." Order No. 85, at 8. The two contracts filed in this proceeding are precisely analogous.

⁸ Mr. Cebello's statement included as Attachment 2 expands further on the common market characteristics of Global Plus 2 contracts in general, and the two particular Global Plus 2 contracts filed in this proceeding as well.

being a precondition for the prescribed discounts.⁹ The revenue commitment covers the same set of products, namely, International Surface Airlift, International Priority Airlift, Express Mail International, and Priority Mail International (covered by the Global Plus 1 contracts) and Global Direct and Global Bulk Economy (covered by the Global Plus 2 contracts). Because both agreements incorporate the same cost attributes and methodology, the relevant characteristics are similar, if not the same, for these two Global Plus 2 contracts.

Both Global Plus 2 contracts also contain retroactivity provisions, which are discussed in the following section. However, the provisions are substantially similar in both contracts. Both provide terms that generally require that the Postal Service will be reimbursed for the difference between old Global Direct and Global Bulk Economy prices and either the new prices for these services or the applicable ISAL prices at which the mailings would be sent under the Global Plus 1 agreements as of July 1, 2008, until such time as the contracts are approved. In the event the contracts are not approved, the retroactivity provisions provide that the customers are responsible for the difference between the old prices and either the new prices or the applicable ISAL prices under the Global Plus 1 agreements from the stated effective date of the contract.

Other provisions reflect relatively minor differences between the mailers, mostly relating to differences in mailing locations and destinations, and in reporting requirements on the part of both the Postal Service and the mailers; these distinctions simply reflect the mailers' unique capabilities and preferences, making the contracts

⁹ Although the Global Plus 2 contracts couch the connection to the revenue commitments in the Global Plus 1 contracts differently, the result in both contracts is basically the same.

substantially similar. Other differing provisions reflect syntax distinctions reached in the two sets of negotiations for applicable mail preparation requirements, obligations which survive various termination scenarios, postage updates and different numbering of Annexes. The Postal Service considers these provisions to be similar and does not view them as affecting the fundamental structure of the contracts.

As demonstrated, the cost and market characteristics of these agreements are thus substantially similar. Accommodation of the respective mailers does nothing to detract from the conclusion that these agreements are “functionally equivalent in all pertinent respects.”¹⁰

Retroactivity

As with the two Global Plus 1 contracts filed previously, these Global Plus 2 contracts are made retroactive. In Order No. 85, the Commission had questioned the retroactivity provisions in the Global Plus 1 contracts, noting that under those agreements, customers would receive certain price incentives prior to regulatory approval for such rates, subject to subsequent collection of the difference between the incentive prices and the full prices if regulatory approval was not obtained.”¹¹

Similar provisions in the Global Plus 2 contracts provide that until July 1, 2008, the customers may avail themselves of certain prices effective as of April 30, 2008. These prices were not introduced by the Global Plus 2 contracts; rather, they simply continue what had previously been in effect for the same customers under instruments executed under the Postal Service’s previous statutory authority. As such, the Global Plus 2 contracts enabled customers to continue mailing while the Commission and the

¹⁰ Order No. 85, at 8.

¹¹ Order No. 81, Notice and Order Concerning Prices under Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9 and CP2008-10, June 6, 2008, at 4.

Postal Service continue their collaborative approach to navigating from the former Postal Reorganization Act to the PAEA. These new Global Plus 2 contracts assume that new, higher prices would be in effect by July 1, 2008, if the contracts are approved before that time. As explained above, if the contracts were not approved by July 1, 2008, the customers continued to mail at the old prices but became liable for the difference between the old prices and either the new prices or the applicable ISAL prices under the Global Plus 1 agreements. The product finance calculations in the work papers filed with each agreement take account of these potentialities, including in the cost coverage evaluation the lower prices in effect between May 1, 2008, and July 1, 2008. Also, as discussed above, the customers are liable for the difference between the old prices and either the new prices or the applicable ISAL prices from the stated effective date of the contract, if the contracts fail to obtain approval.

As the Postal Service stated with regard to the retroactivity provisions in the Global Plus 1 contracts, the purpose of these provisions was to sustain these customer relationships and avoid an interruption in service. They are intended to mitigate the risk to the Postal Service that the new Global Plus 2 contracts might not become effective by July 1, 2008, or not at all, since the mailer becomes liable for the difference between the prices initially paid and certain new prices. In addition, the retroactivity provisions were thought to provide a reasonable solution for mailers with existing agreements to continue their commercial relationship with the Postal Service while the Global Plus 2 contracts were reviewed. In the Postal Service's view, this was a practical solution to bridge the gap between lapse of the old agreements and the development of new prices and review of the new agreements. The provisions were carefully crafted and limited in

scope to existing Global Plus 2 customers, both of which have proven business relationships with the Postal Service and present little risk of default. Because these customers themselves serve a very substantial customer base, it would have been highly disruptive to the mailing industry if they had to stop mailing during a period of uncertainty concerning the new regulatory approval processes and the availability of new prices.

The Commission instead has indicated that it will act expeditiously on Postal Service requests for temporary relief under such extenuating circumstances."¹² In the instant circumstances, however, the old contracts had expired, mailings had begun under the new arrangements and the Global Plus 2 contracts had been executed prior to receiving the Commission's decision and guidance under Order No. 85.¹³ The Postal Service respectfully requests the Commission's consideration of these exceptional circumstances. Because the terms for these instruments were, in concept, developed before Order No. 85, the Postal Service no longer intends to present future contracts to the Commission with retroactivity provisions. Rather, the Postal Service will avail itself of the procedure for expedited consideration of requests for temporary relief when circumstances warrant.

Conclusion

For the reasons discussed, the Postal Service believes that both Global Plus 2 contracts should be added to the competitive products list as one product. The Postal Service asks that the Commission approve this Request.

¹² *Id.*

¹³ An amendment to one of the contracts, however, was executed subsequent to Order No. 85.

As required by 39 USC §3642(d)(1), a notice concerning this Request is being sent for publication in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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August 8, 2008

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR GLOBAL DIRECT, GLOBAL BULK ECONOMY, AND GLOBAL PLUS CONTRACTS (GOVERNORS' DECISION NO. 08-10)

July 16, 2008

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Global Direct and Global Bulk Economy Contracts, as well as for Global Plus Contracts that combine Global Direct and Global Bulk Economy services.¹ The types of contracts to which these prices will apply are described in Attachments A-1, A-2, and A-3,² the price floor and price ceiling formulas are specified in Attachments B-1, B-2, and B-3, and management's analyses of the appropriateness of these formulas is explained in Attachments C-1, C-2, and C-3. We have reviewed those analyses and have concluded

¹ In our Decision on the Establishment of Prices and Classifications for Global Plus Contracts (Governors' Decision No. 08-8), May 28, 2008, we established prices for Global Plus contracts that consist of any combination of International Priority Airmail, International Surface Airlift, Express Mail International and Priority Mail International. In that Decision, we noted that prices for Global Direct and Global Bulk Economy would be established at a later date. The instant Decision establishes a classification for Global Plus contracts similar to that previously established, in that it combines various component services and offers price incentives; the instant classification differs in the precise combination of services offered. Eligible customers may avail themselves of individual contracts for Global Direct and Global Bulk Economy, or they may combine these services under a Global Plus contract.

² The classifications for Global Direct and Global Bulk Economy contracts are contained in the Mail Classification Schedule language originally proposed by the Postal Service, as modified in Attachments A-1 and A-2. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007. It should be noted that certain of the modifications involve changes to the size and weight charts pertaining to Global Bulk Economy Contracts to mirror the shape-based First-Class Mail International sizes and weights effective May 12, 2008. The classification for Global Plus contracts that combine Global Direct and Global Bulk Economy services is contained in Attachment A-3. Attachment A-3 contains many of the same provisions that were proposed in the Postal Service's original Mail Classification Schedule language for Global Plus Contracts, but the language has been specifically tailored to address only those Global Plus Contracts combining Global Direct and Global Bulk Economy services.

that the prices emerging from application of the formulas and the classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts that fall within the terms specified in Attachments A-1, A-2, and A-3, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachments B-1, B-2, and B-3, respectively, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We have determined that prices established according to the formulas listed in Attachments B-1, B-2, and B-3 would be appropriate for the services covered by the types of Global Direct, Global Bulk Economy and Global Plus Contracts classified in Attachments A-1, A-2, and A-3, respectively. Management's analysis of the formulas, included as Attachments C-1, C-2, and C-3, supports our decision to establish prices through such formulas for the specified types of contracts.

We are satisfied that the prices established by the formulas in Attachments B-1, B-2, and B-3 meet the applicable statutory and regulatory requirements. The price floor formulas provide greater than 100 percent coverage of the costs attributable to each of these types of agreements. We accept and rely upon the certification in Attachment D that the correct cost inputs for the formulas have been identified. In addition, the price floor formulas

[REDACTED]

[REDACTED] should cover the agreements' attributable costs and provide a contribution toward the Postal Service's institutional costs. The formulas should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment D, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 C.F.R. § 3015.5 and any other rules that the Commission deems applicable. The notice must include a

financial analysis that demonstrates that the agreement covers its attributable costs, based on [REDACTED] Attachments B-1, B-2, and B-3. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement are appropriate, in that they represent the best available information and that the agreement should not result in a cross-subsidy from market dominant products and should not impair the ability of competitive products, as a whole, to cover an appropriate share of institutional costs.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Global Direct, Global Bulk Economy, and Global Plus Contracts, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within the formulas set by this Decision and the certification process specified herein is followed. After an authorized agreement is entered into, the Postal Service shall comply with all applicable statutory and regulatory requirements.

Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:



Alan C. Kessler
Chairman

Attachment A-1

Description of Applicable Global Bulk Economy Contracts

2610.4 Global Bulk Economy (GBE) Contracts

These are contracts for letter-post items that are dispatched in bulk via surface transportation to destination countries. The mailer must physically separate the sacks and/or pallets by rate group. Within each rate group direct country sacks weighing less than 11 pounds must be physically separated from other direct country sacks and identified with the letter "S" on the bag tag. To qualify, a mailer must tender all of its qualifying mail to the Postal Service and must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service, paying at least \$2 million in First-Class Mail International postage to the Postal Service. For a mailer to qualify, the contract must cover its attributable costs.

Size and Weight for Letters/Small Packages/Packages:¹

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	24 inches	Length plus height plus thickness: 36 inches		4 pounds

¹Packages of letter-size pieces of mail should be no thicker than approximately a handful of mail (4" to 6"); packages of flat-size mail may be thicker than 6", but weigh no more than 11 pounds. A package or packet is defined as 10 or more pieces of mail to the same country separation or 1 pound or more regardless of the number of pieces.

Size and Weight for Postcards:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	6 inches	4.25 inches	0.016 inch	Not applicable

Size and Weight for Letters:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	11.5 inches	6.125 inches	0.25 inch	3.5 ounces

Size and Weight for Large Envelopes (Flats):

	Length	Height	Thickness	Weight
Minimum [†]	11.5 inches	6.125 inches	0.25 inch	none
Maximum	15 inches	12 inches	0.75 inch	4 pounds

[†]Every minimum dimension does not have to be met; only one does.

Size and Weight for Packages (Small Packets):

	<u>Length</u>	<u>Height</u>	<u>Thickness</u>	<u>Weight</u>
<u>Minimum</u>	Large enough to accommodate postage, address and other required elements on the address side.			None
<u>Maximum</u>	24 inches	Length plus height plus thickness: 36 inches		4 pounds

Size and Weight for Rolls:

	<u>Length</u>	<u>Length plus twice the diameter</u>	<u>Weight</u>
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds ⁷⁰

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The minimum volume requirement is 100 pounds per mailing.

Price Categories:

The discount percentage off a base rate is dependent upon a volume or postage commitment on the part of the customer.

Optional Features:

None

Attachment A-2

Description of Applicable Global Direct Contracts

2610.3 Global Direct Contracts

These are contracts giving a rate for mail acceptance within the United States and transportation to a receiving country with the addition by the customer of appropriate foreign postage charged by the receiving country. The preparation requirements are the preparation requirements for the given product set by the receiving country. All items must bear the postal imprint of the receiving country and a return address in the receiving country. To qualify, a mailer must ~~tender all of its qualifying mail to the Postal Service and be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service.~~ paying at least \$2 million in First-Class Mail International postage to the Postal Service, or tendering at least 600 pieces of non-First-Class International mail to the Postal Service, or paying at least \$12,000 in non-First-Class Mail International postage to the Postal Service. For a mailer to qualify, the contract must cover its attributable costs.

Size and Weight:

Size and weight requirements are the requirements for the given product set by the receiving country.

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The mailer may be required to meet minimum volume or weight requirements as specified by the Postal Service.

Price Category:

Prices are dependent upon a volume or postage commitment on the part of the customer and basically cover mail acceptance within the United States, transportation from the United States to the receiving country and the appropriate postage in the receiving country.

Optional Features:

All optional features applicable to the product as set by the receiving country.

Attachment A-3

Description of Applicable Global Plus Contracts

2610.6 Global Plus Contracts 2: Global Bulk Economy and Global Direct

These are contracts giving rates for a combination of Global Bulk Economy (GBE) and Global Direct (GD). These contracts are for high-volume mailers or Postal Qualified Wholesalers. For a mailer to qualify, the contract must cover its attributable costs.

The contracts include all destinations served by GBE and/or GD, as specified by the Postal Service. The preparation requirements are the same as for all GBE shipments. For GD shipments, the preparation requirements are the preparation requirements for the given product set by the receiving country. The mailer may be required to prepare specific shipments according to country specific requirements.

To qualify for a contract, a mailer must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service.

Size and Weight for Postcards:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	6 inches	4.25 inches	0.016 inch	Not applicable

Size and Weight for Letters:

	Length	Height	Thickness	Weight
Minimum	5.5 inches	3.5 inches	0.007 inch	None
Maximum	11.5 inches	6.125 inches	0.25 inch	3.5 ounces

Size and Weight for Large Envelopes (Flats):

	Length	Height	Thickness	Weight
Minimum ²	11.5 inches	6.125 inches	0.25 inch	None
Maximum	15 inches	12 inches	0.75 inch	4 pounds

¹ Every minimum dimension does not have to be met; only one does.

Size and Weight for Packages (Small Packets):

	Length	Height	Thickness	Weight
Minimum	Large enough to accommodate postage, address and other required elements on the address side.			None
	Length	Length plus height plus thickness		Weight
Maximum	24 inches	36 inches		4 pounds

Size and Weight for Rolls:

	Length	Length plus twice the diameter	Weight ¹
Minimum	4 inches	6.75 inches	none
Maximum	36 inches	42 inches	4 pounds

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The minimum volume requirement for GBE is 100 pounds per mailing. The mailer may be required to meet a volume minimum or weight requirement for Global Direct. If paying through permit imprint, the mailer is required to meet the minimum volume or weight requirements in effect for manifest mailings.

Price Categories:

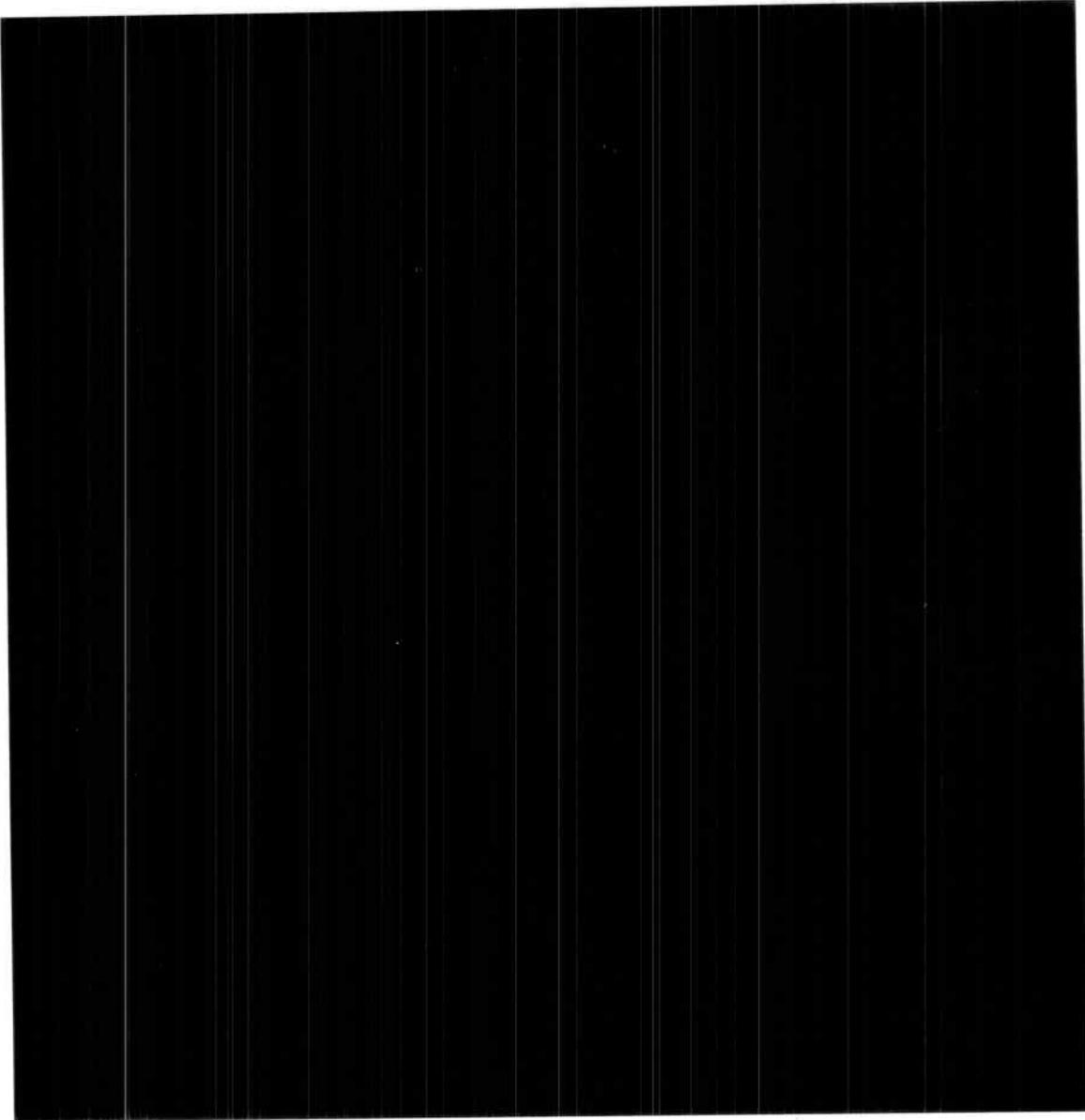
The discount percentage or price, as applicable to the service, is dependent upon a volume or postage commitment on the part of the customer. Additional tiered discounts are available if the mailer exceeds the minimum volume or postage commitment.

Optional Features:

For GD, all optional features applicable to the product as set by the receiving country.

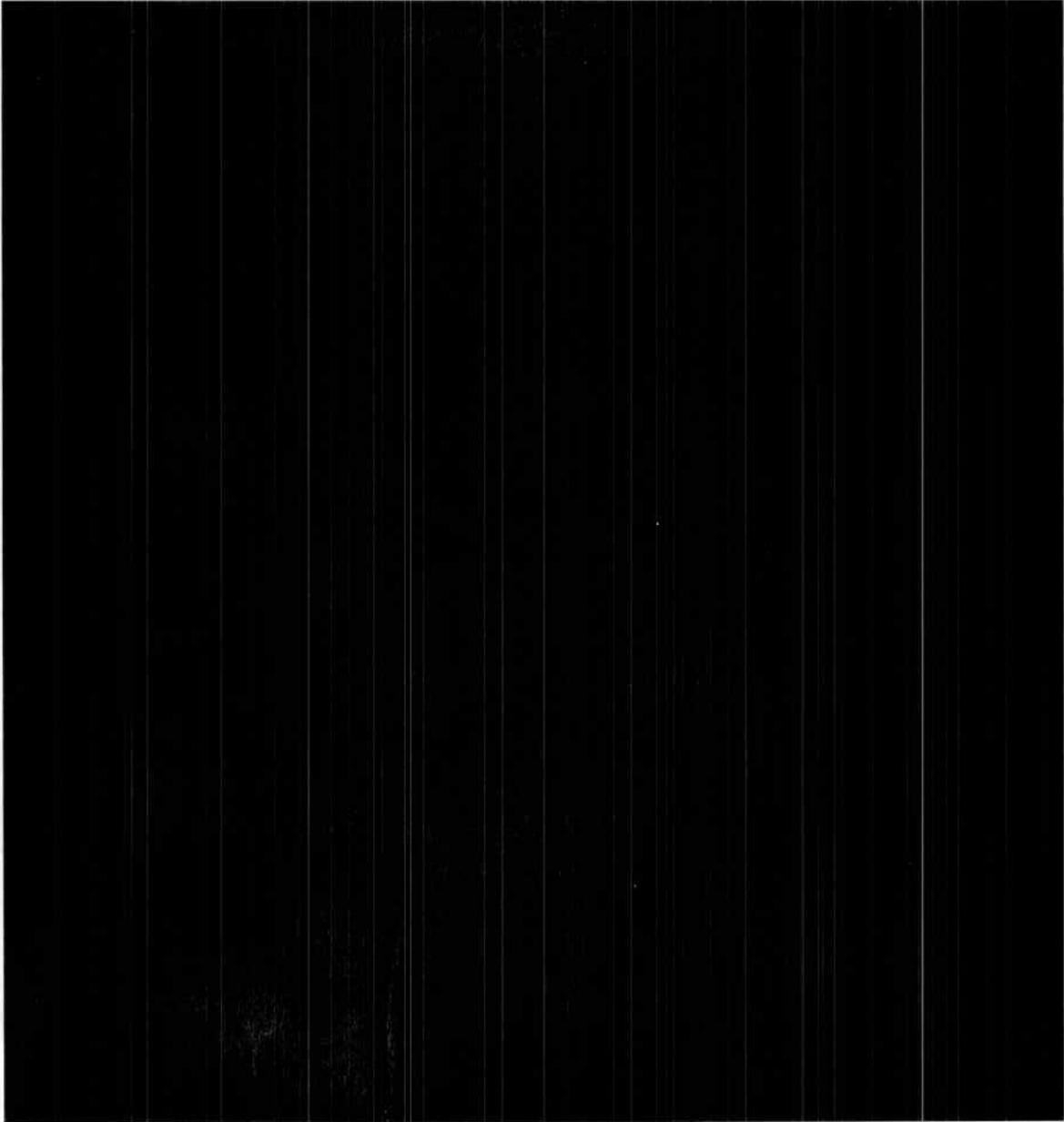
Attachment B-1

Formulas for Prices Under Applicable Global Bulk Economy Contracts



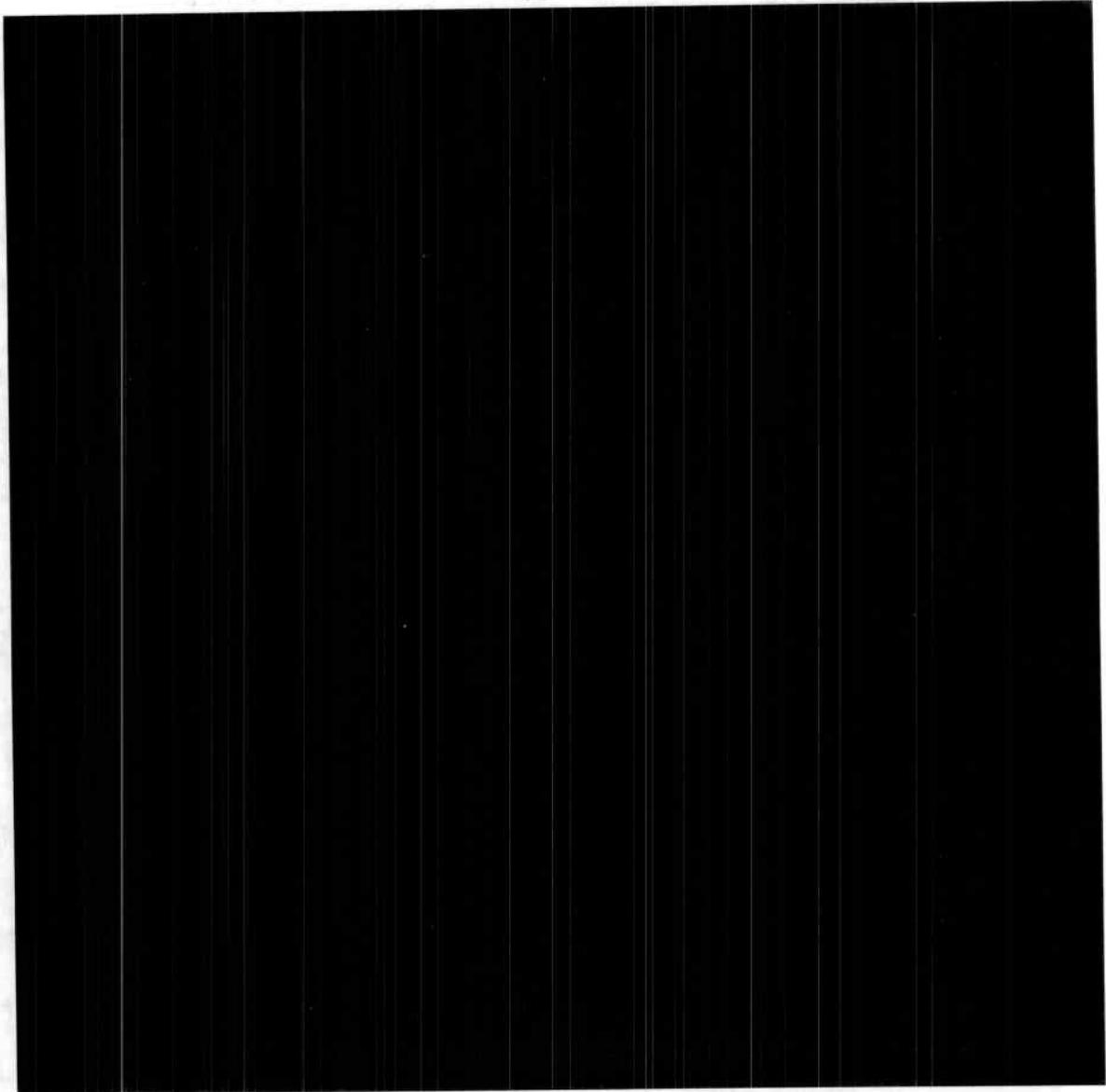
Attachment B-2

Formulas for Prices Under Applicable Global Direct Contracts



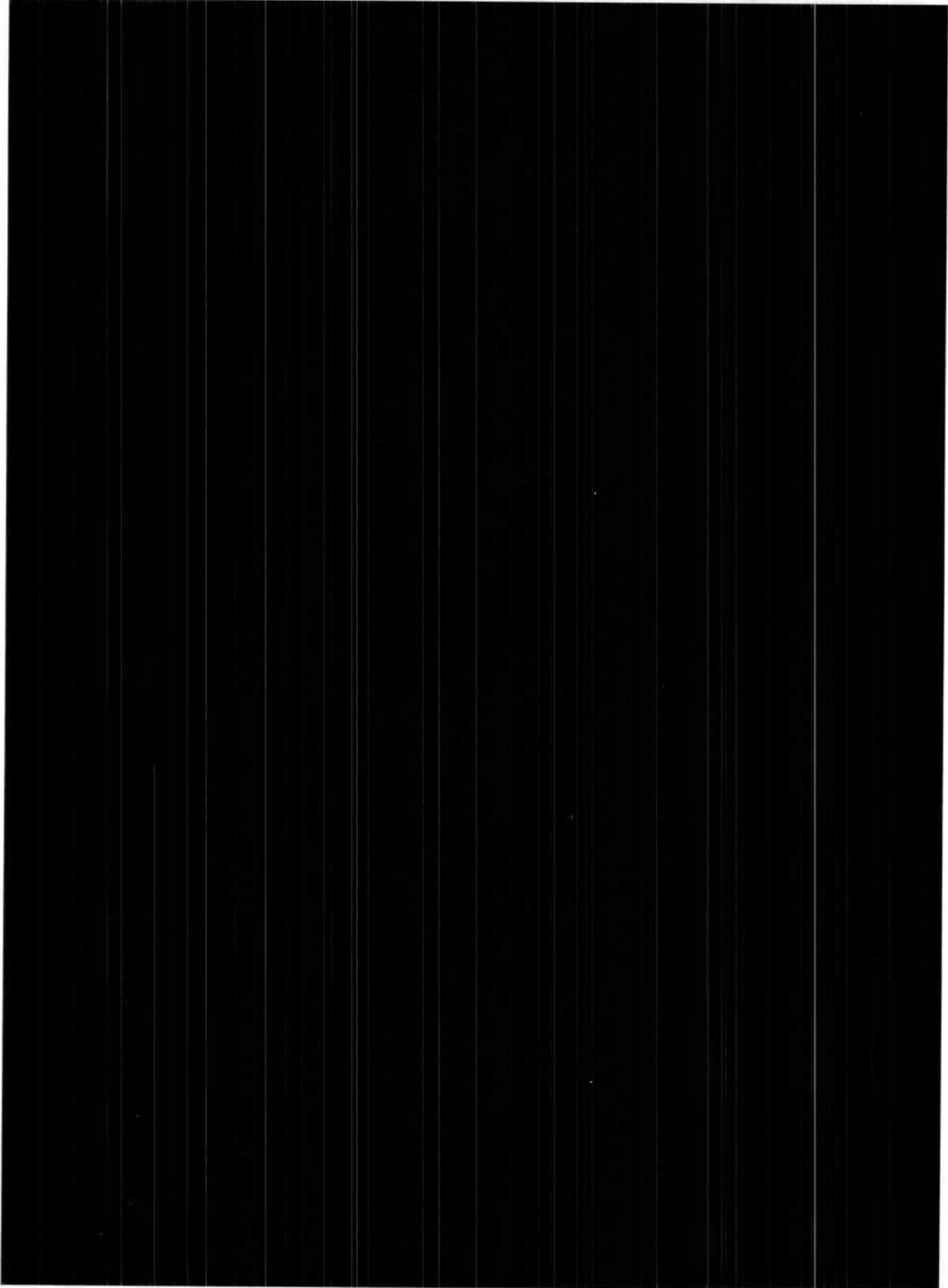
Attachment B-3

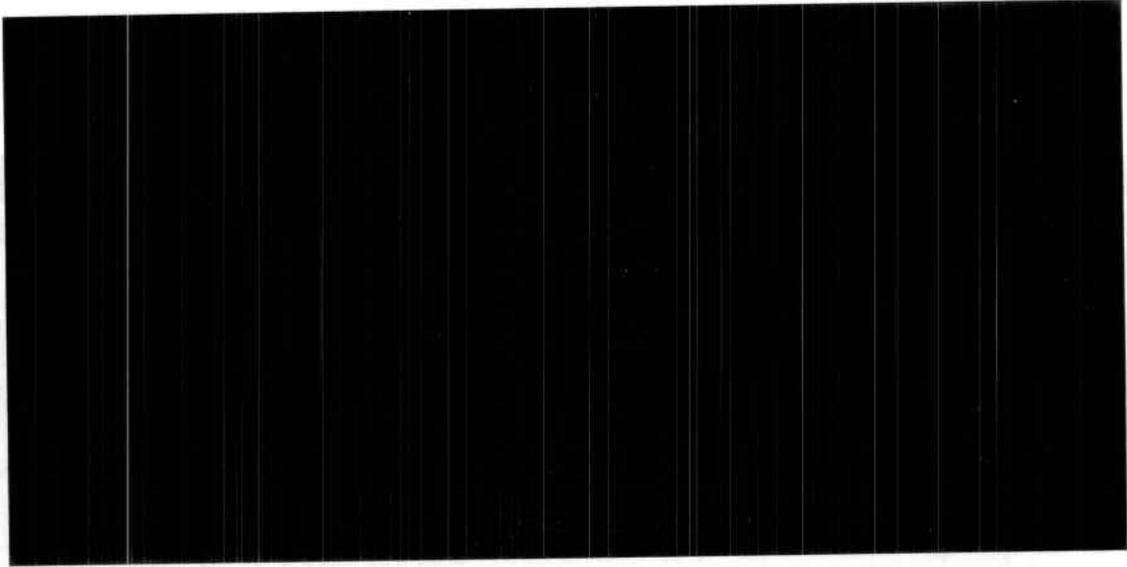
Formulas for Prices Under Applicable Global Plus Contracts



Attachment C-1

Analysis of the Formulas for Prices Under Applicable Global Bulk Economy
Contracts

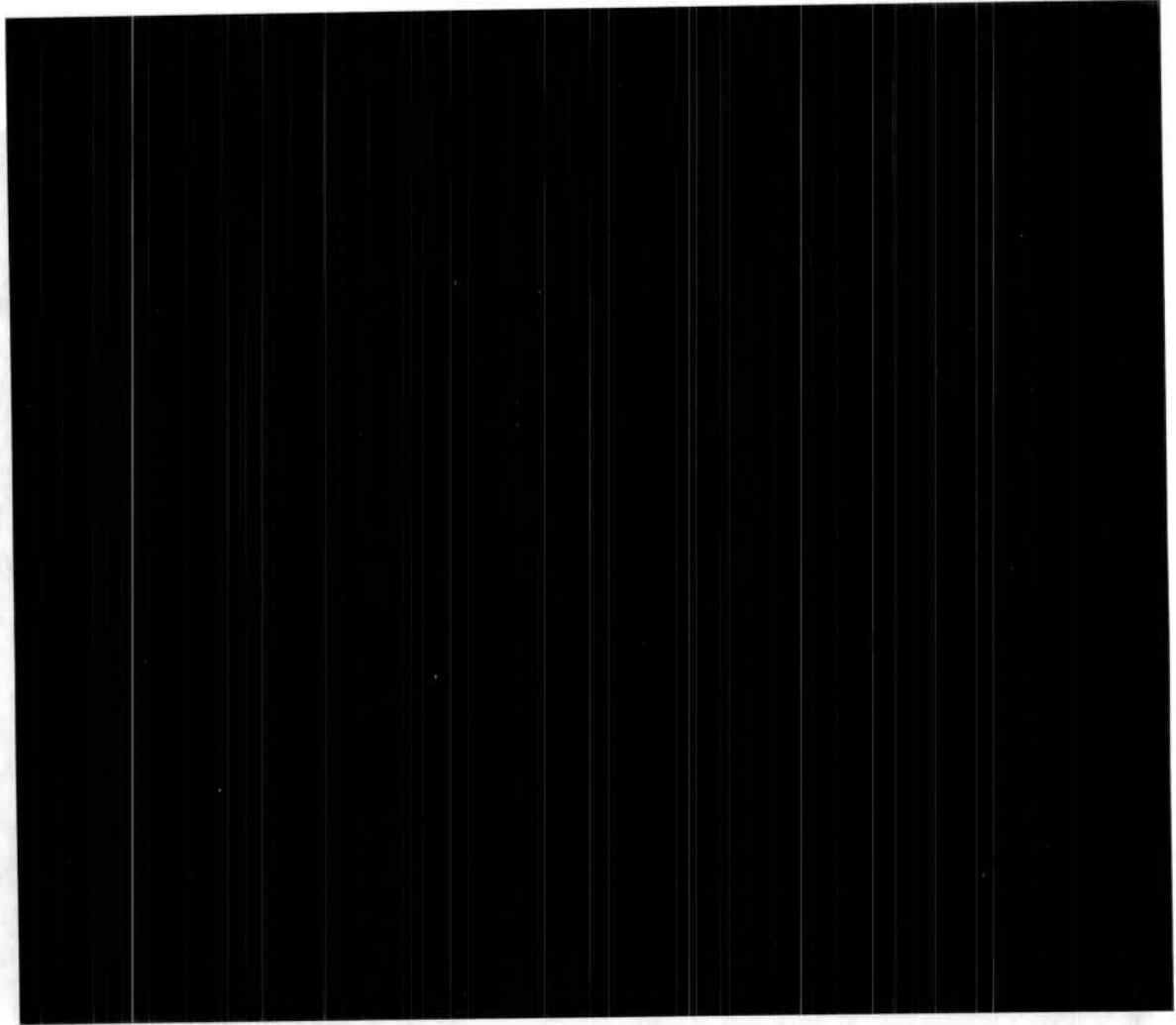




Attachment C-2

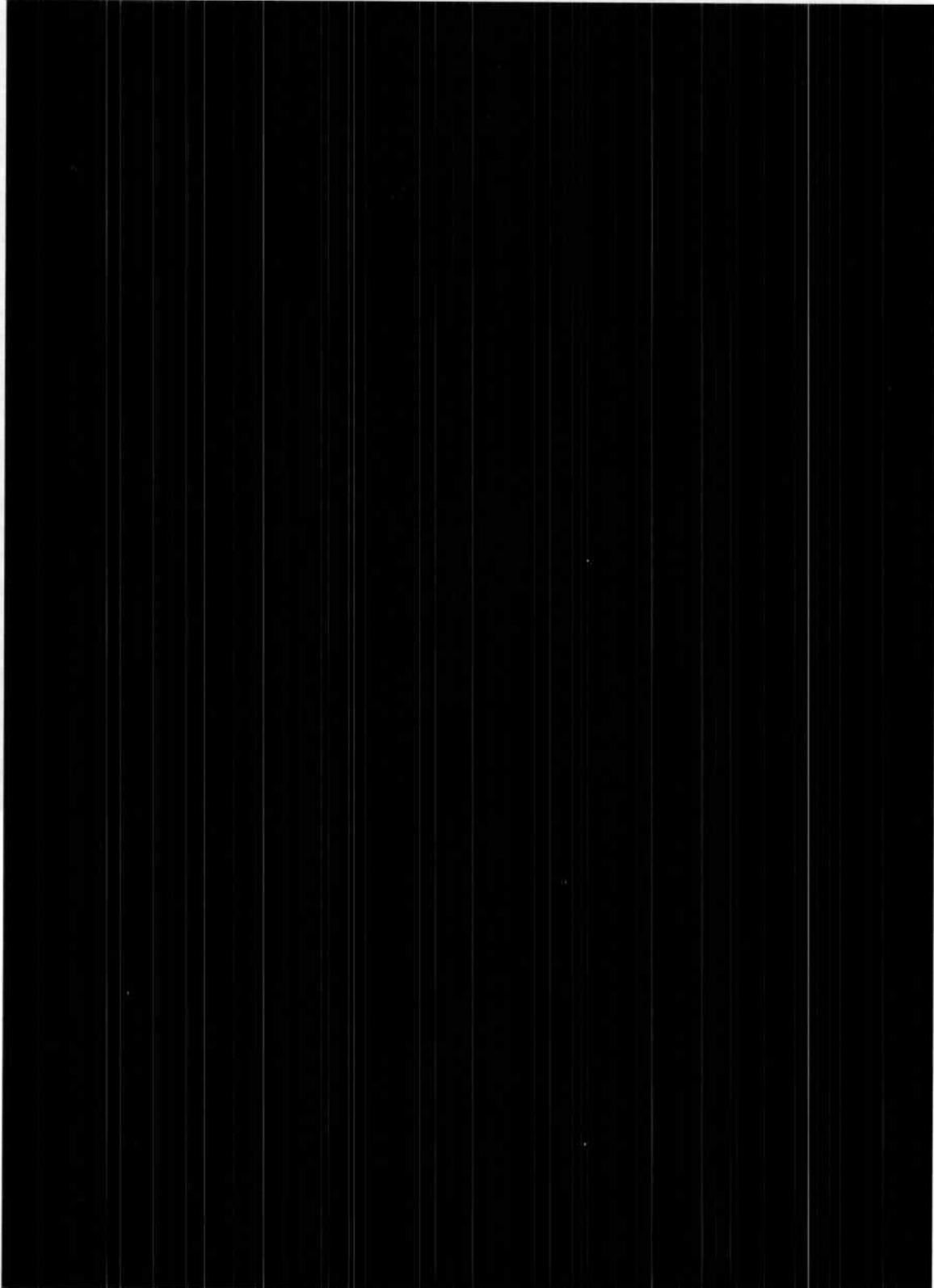
Analysis of the Formulas for Prices Under Applicable Global Direct Contracts

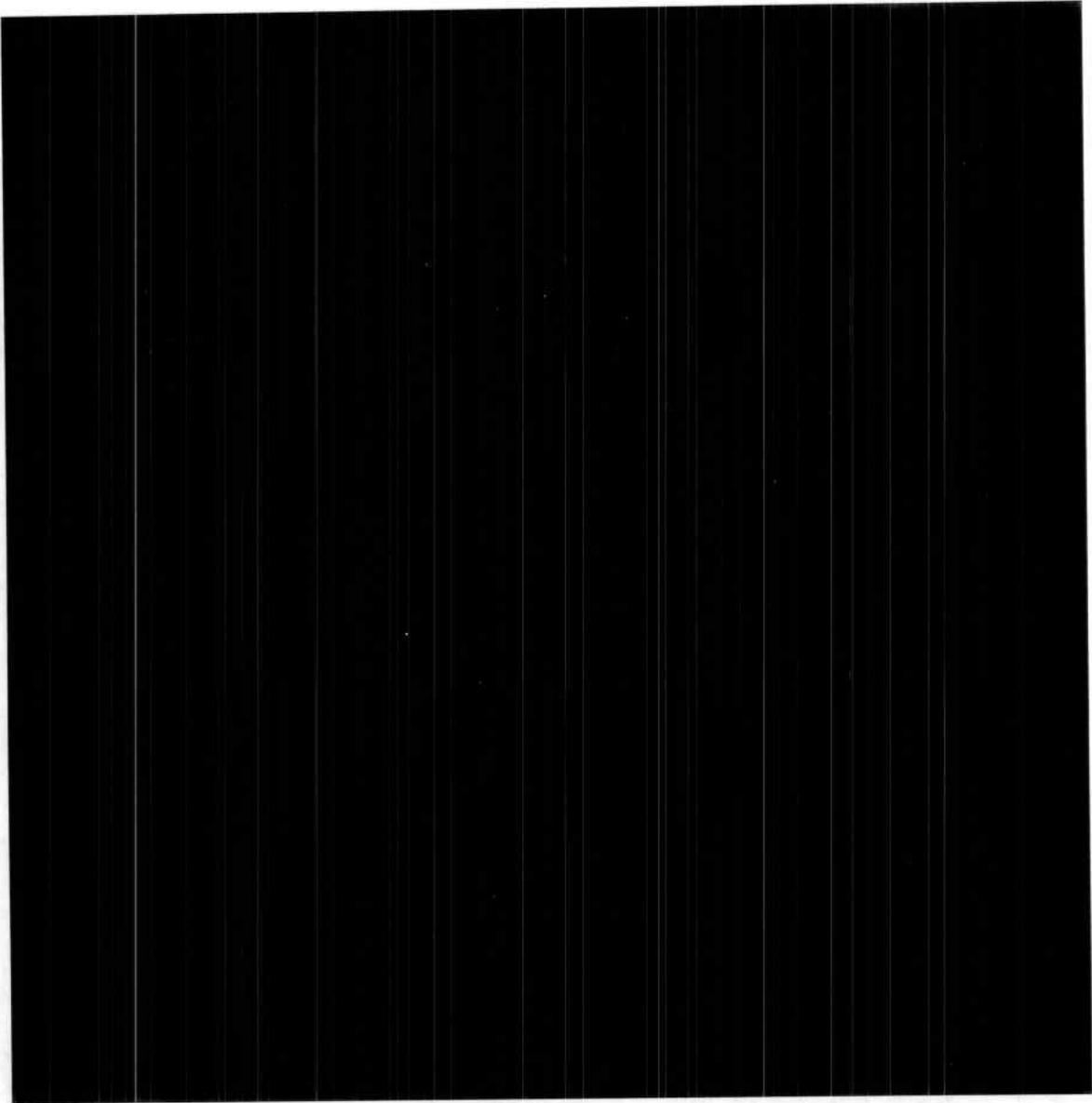




Attachment C-3

Analysis of the Formulas for Prices Under Applicable Global Plus Contracts





Attachment D

Certification as to the Formulas for Prices Offered Under Applicable Global Bulk Economy, Global Direct, and Global Plus Contracts

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the price floor formula and price ceiling formula for Global Bulk Economy Contracts, which are set forth in Attachment B-1; the formulas for Global Direct Contracts, which set forth in Attachment B-2; and the formulas for Global Plus Contracts, which are set forth in Attachment B-3.

I hereby certify that these formulas adequately represent all necessary [REDACTED] [REDACTED] if the Postal Service were to enter into agreements that set prices above the price floor, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formula is designed to ensure that each agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2007, all outbound international competitive mail accounted for approximately 11 percent of the total contribution by all competitive products. Contribution from Global Bulk Economy, Global Direct, and Global Plus Contracts should be much smaller. Even if all the agreements for Global Bulk Economy, Global Direct, and Global Plus Contracts are signed at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


W. Ashley Lyons

Statement of Supporting Justification

I, Frank Cebello, Executive Director, Global Business Management, am sponsoring the Request that the Commission add, as one product, the two Global Plus 2 contracts filed in Docket Nos. MC2008-7, CP2008-16, and CP2008-17, to the competitive products list for prices not of general applicability. The proposed Mail Classification Schedule (MCS) language for Global Plus Contracts 2 describes the requirements for this type of contract. My statement supports the Postal Service's Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

As demonstrated below, the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).*

Not applicable. The Postal Service is proposing that the two Global Plus 2 contracts be added, as one product, to the competitive products list. Other functionally equivalent contracts would be added to the list as price categories under the Global Plus Contracts 2 listing.

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

Adding the Global Plus 2 contracts to the competitive product list will improve the Postal Service's competitive posture, while enabling the Commission to verify that each contract covers its attributable costs and makes a positive contribution to coverage of institutional costs. These contracts, along with each contract that is functionally equivalent to these contracts, will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs paid for by competitive products. Accordingly, no issue of subsidization of competitive products by market dominant products arises.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

The Global Plus 2 contracts are for Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via Global Direct and/or Global Bulk Economy. With Global Direct services, the Postal Service provides customers with a price for mail acceptance within the United States and transportation to a receiving county. Global Direct items bear the postal imprint of the receiving country and a return address in the receiving country. Global Bulk Economy allows customers to ship letter-post items that are dispatched in bulk via surface transportation to destination countries. Under the Postal Service's previous statutory authority, customers

have accessed Global Direct and Global Bulk Economy services through customized agreements.

When negotiating Global Plus 2 contracts, the Postal Service's bargaining position is constrained by the existence of other providers of similar services. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. Global Plus 2 contracts provide incentives for the tendering of Global Direct and Global Bulk Economy items, both of which should be deemed competitive by virtue of their exclusion from the letter monopoly, as well as the significant levels of competition they face in their respective markets. As with each of the respective underlying services in general, the Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contracts are premised on prices that provide sufficient incentive for customers to ship with the Postal Service rather than a competitor. If the Postal Service were to raise these prices, it risks losing these customers to a private competitor in the international shipping industry.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.*

Each of the underlying services falls outside the prohibition on private carriage of letters over post routes by virtue of suspensions to the Private

Express Statutes for international remail, so the Global Plus 2 contracts also fall outside that prohibition. See part (d) above.

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

See part (d) above. Private consolidators, freight forwarders and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions. For Global Direct, mailers with large enough volumes also may find it advantageous to enter mail directly with foreign posts, without the Postal Service's assistance. For Global Bulk Economy, foreign posts operating in the United States are a prime source of competition.

- (g) *Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.*

As discussed above, the customers for these Global Plus 2 contracts are PQWs and other large businesses that offer mailing services to end users for shipping articles via Global Direct and/or Global Bulk Economy. These customers have previously entered into Global Plus Contracts that covered a number of different services, including Global Direct and Global Bulk Economy, with the Postal Service pursuant to the latter's former authority, and they find the arrangement sufficiently attractive to merit continuation. This indicates that the relevant segment of postal customers in general, as well as their end users, find this type of product to be preferable to similar products offered by the Postal Service's competitors. Customers are aware that competitive services are

provided by other entities. However, no specific data are available to the Postal Service on Global Plus 2 customer views regarding the regulatory classification of these contracts.

(h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

The market for international delivery services comparable to Global Direct and Global Bulk Economy is highly competitive. Therefore, addition of Global Plus Contracts 2 will likely have little, if any, impact upon small business concerns. Large shipping companies, consolidators, freight forwarders and foreign posts operating in the United States serve this market, particularly with respect to the type of customers represented by these Global Plus 2 contracts; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes.

In addition, these Global Plus 2 contracts will form the basis for the PQW customers' service offerings to their own end users, which include small businesses. By offering the prices in these Global Plus 2 contracts, the Postal Service is giving small businesses an additional option for shipping articles internationally, beyond the services offered by competitors. Thus, the net impact on small businesses is positive, because of the absence of negative impact on small business competitors and the positive impact on the small businesses that will use the services that the Global Plus 2 customers can offer them under these contracts.

Attachment 2 to Postal Service Request
PRC Docket No. MC2008-7, CP2008-16 and CP2008-17

- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The customer eligibility criteria contained in the proposed MCS language for Global Plus Contracts 2 are consistent with those proposed for the previously filed Global Plus Contracts 1 product classification.¹ In addition, the proposed MCS language for Global Plus Contracts 2 contains shape-based criteria for Global Bulk Economy, in accordance with the recent advent of shape-based pricing for First-Class Mail International.

¹ See Notice of United States Postal Service of Governors' Decision Establishing Prices and Classifications for Global Plus Contracts, Docket No. CP2008-8, June 2, 2008.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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