

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

COMPETITIVE PRODUCT PRICES  
PARCEL RETURN SERVICE  
PARCEL RETURN SERVICE CONTRACT 2

Docket No. MC2011-6

COMPETITIVE PRODUCT PRICES  
PARCEL RETURN SERVICE CONTRACT 2 (MC2011-6)  
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2011-33

**REQUEST OF THE UNITED STATES POSTAL SERVICE  
TO ADD PARCEL RETURN SERVICE CONTRACT 2  
TO COMPETITIVE PRODUCT LIST  
AND NOTICE OF FILING (UNDER SEAL)  
OF CONTRACT AND SUPPORTING DATA  
(November 17, 2010)**

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., the United States Postal Service hereby requests that Parcel Return Service Contract 2 be added to the competitive product list within the Mail Classification Schedule.<sup>1</sup> This contract, once approved, shall replace Parcel Return Service Contract 1 (Docket Nos. MC2009-1 and CP2009-2). This is a competitive product not of general applicability within the meaning of 39 U.S.C. § 3632(b)(3).<sup>2</sup> A redacted version of the Governors' Decision establishing the prices and classification and a certification of the Governors' vote is provided in Attachment A.<sup>3</sup> A redacted version of the contract is provided in Attachment B. Attachment C shows the requested changes in the Mail Classification product list

<sup>1</sup> 39 C.F.R. § 3020.31(a), (c).

<sup>2</sup> *Id.* § 3020.31(d).

<sup>3</sup> *Id.* § 3020.31(b).

with the addition underlined.<sup>4</sup> Attachment D provides a statement of supporting justification for this request, as specified in 39 C.F.R. § 3020.32.<sup>5</sup> Attachment E provides the certification of compliance with 39 U.S.C. § 3633(a)(1) and (3).<sup>6</sup> Attachment F provides the Application for Nonpublic Treatment of the materials filed under seal.<sup>7</sup> Those materials are the unredacted contract and the required cost and revenue data.<sup>8</sup>

As explained in the supporting justification, the Postal Service believes that it is appropriate to add this contract to the list of competitive products. The Commission should therefore approve this request as set forth in its rules. As required by 39 U.S.C. § 3642(d)(1), this Request is being published in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

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Chief Counsel, Pricing and Product Support

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November 17, 2010

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<sup>4</sup> *Id.* § 3020.31(f).

<sup>5</sup> *Id.* § 3020.31(e).

<sup>6</sup> *Id.* § 3015.5(c)(2).

<sup>7</sup> *Id.* § 3007.21.

<sup>8</sup> *Id.* § 3015.5(c)(1).

**ATTACHMENT A TO REQUEST  
REDACTED GOVERNORS' DECISION**

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON  
ESTABLISHMENT OF RATE AND CLASS NOT OF GENERAL APPLICABILITY  
FOR PARCEL RETURN SERVICE (GOVERNORS' DECISION NO. 10-5)**

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October 29, 2010

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

The Postal Service and [REDACTED] have entered into a shipping services contract that provides [REDACTED]

[REDACTED] The contract is for two years with the option to extend for one additional year provided certain conditions are met. Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish prices not of general applicability, and such changes in classifications as are necessary to implement the new prices.

[REDACTED] The prices for the first year are specified in the contract and the prices for the second year will be adjusted based on the general increase in PRS prices. The contribution level of pieces under this contract is estimated to be [REDACTED]

We have reviewed management's analysis of the contract, which is attached. We have evaluated the new price and classification changes in this context in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. We approve the changes, finding that they are appropriate, and are consistent with the regulatory criteria, as indicated by management.

**ORDER**

We direct management to file with the Postal Regulatory Commission appropriate notice of these classification and rate changes and to request any needed addition to the competitive product list. The changes in price and class set forth herein shall be effective one day after the Commission approves any required addition to the product list under 39 C.F.R. § 3020 Subpart B.

By The Governors:

A handwritten signature in black ink, appearing to read "Lou Giuliano", written over a horizontal line.

Louis J. Giuliano  
Chairman

**ANALYSIS OF PARCEL RETURN SERVICE CONTRACT WITH [REDACTED]**

In November 2008, the Postal Service entered into a contract with [REDACTED] concerning Parcel Return Service (PRS), which expires on November 6, 2010. This contract with [REDACTED] is similar to the previous contract and offers updated pricing for the following:

[REDACTED]

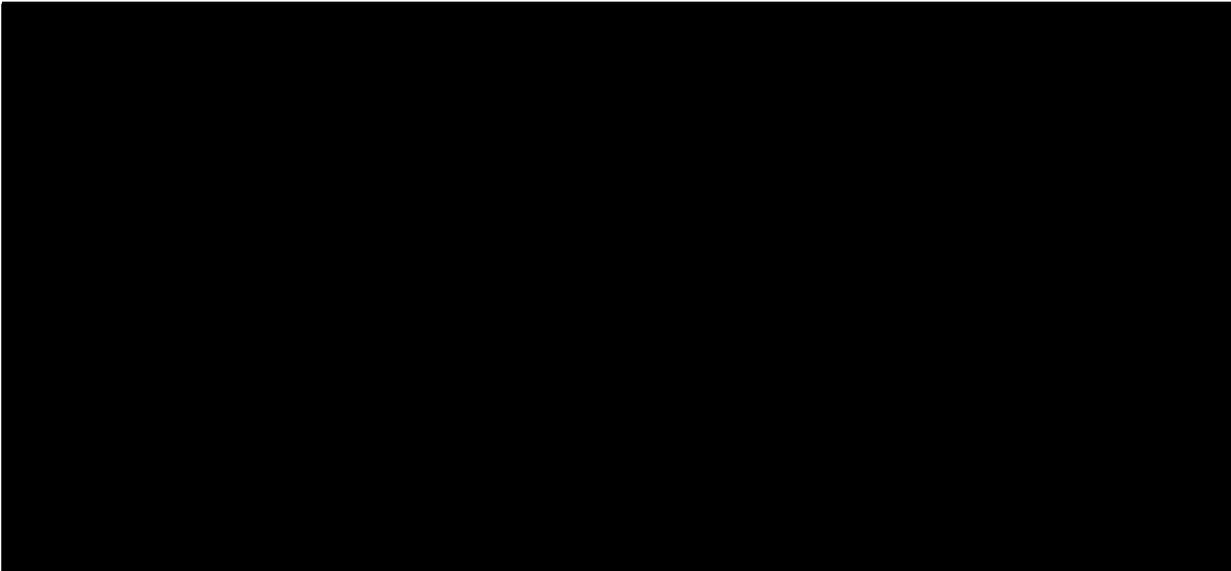
The duration of the contract is two years with an optional third year.

[REDACTED]

Prices will be adjusted on the anniversary of the contract effective date by the average increase in PRS rates of general applicability. Other than as specified in the contract, [REDACTED] will pay published prices for packages tendered.

[REDACTED]

[REDACTED]



Based on the estimated increase in contribution from this contract, in light of anticipated costs and volumes, this contract will cover its attributable cost (39 U.S.C. §3633(a)(2)) and will result in competitive products as a whole complying with 39 U.S.C. §3633(a)(3), which, as implemented by 39 C.F.R. §3015.7(c), requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises (39 U.S.C. §3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE  
IN THE  
GOVERNORS' DECISION NO. 10-5**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-5, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore  
Secretary of the Board of Governors

Date: 10-29-10

**ATTACHMENT B TO REQUEST  
REDACTED SHIPPING SERVICES CONTRACT**

**SHIPPING SERVICES CONTRACT**  
**BETWEEN**  
**THE UNITED STATES POSTAL SERVICE**  
**AND**  
[REDACTED]  
**REGARDING PARCEL RETURN SERVICE**

This contract for shipping services is made by and between [REDACTED] (“Customer”), an organization incorporated and existing under the laws of [REDACTED], with its principal office at [REDACTED] and the United States Postal Service (“the Postal Service”), an independent establishment of the Executive Branch of the United States Government established by the Postal Reorganization Act, Public Law 91-375, with its principal office at 475 L’Enfant Plaza, SW, Washington, DC 20260. The Postal Service and Customer are referred to herein collectively as the “Parties” and each as a “Party.”

WHEREAS, it is the intention of the Parties to enter into a shipping services contract that will benefit the Postal Service, the postal system as a whole, and Customer, and that will comply with the requirements of Title 39 United States Code, as amended by the Postal Accountability and Enhancement Act of 2006,

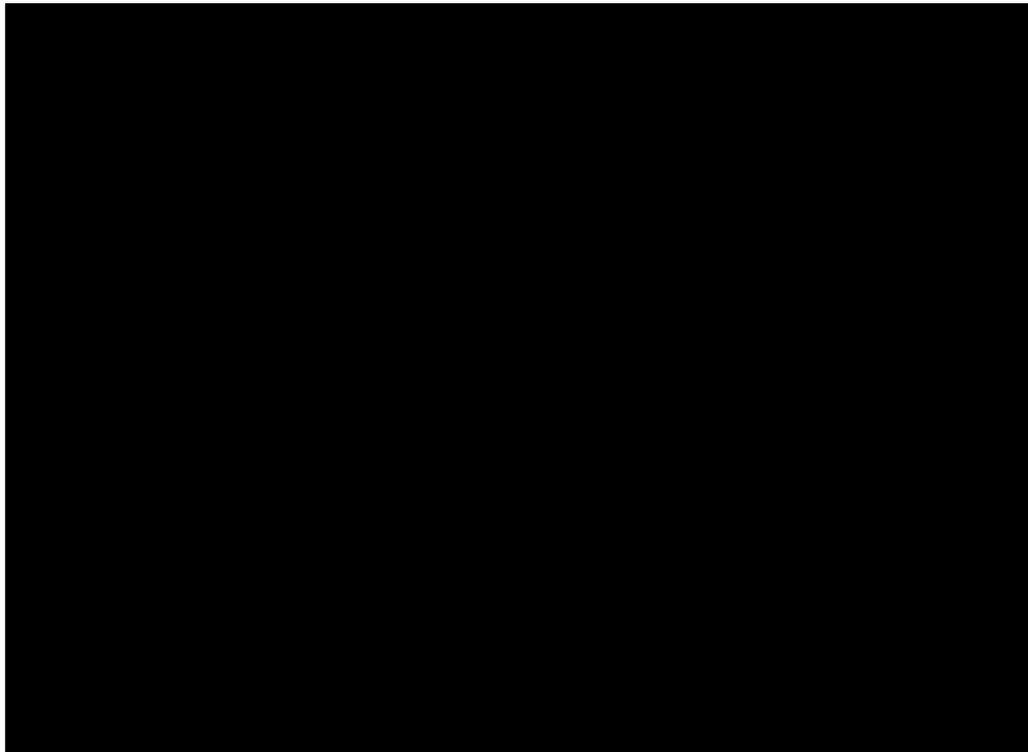
NOW, THEREFORE, the Parties agree as follows:

**I. Terms**

The following terms apply as of the effective date, as defined below:

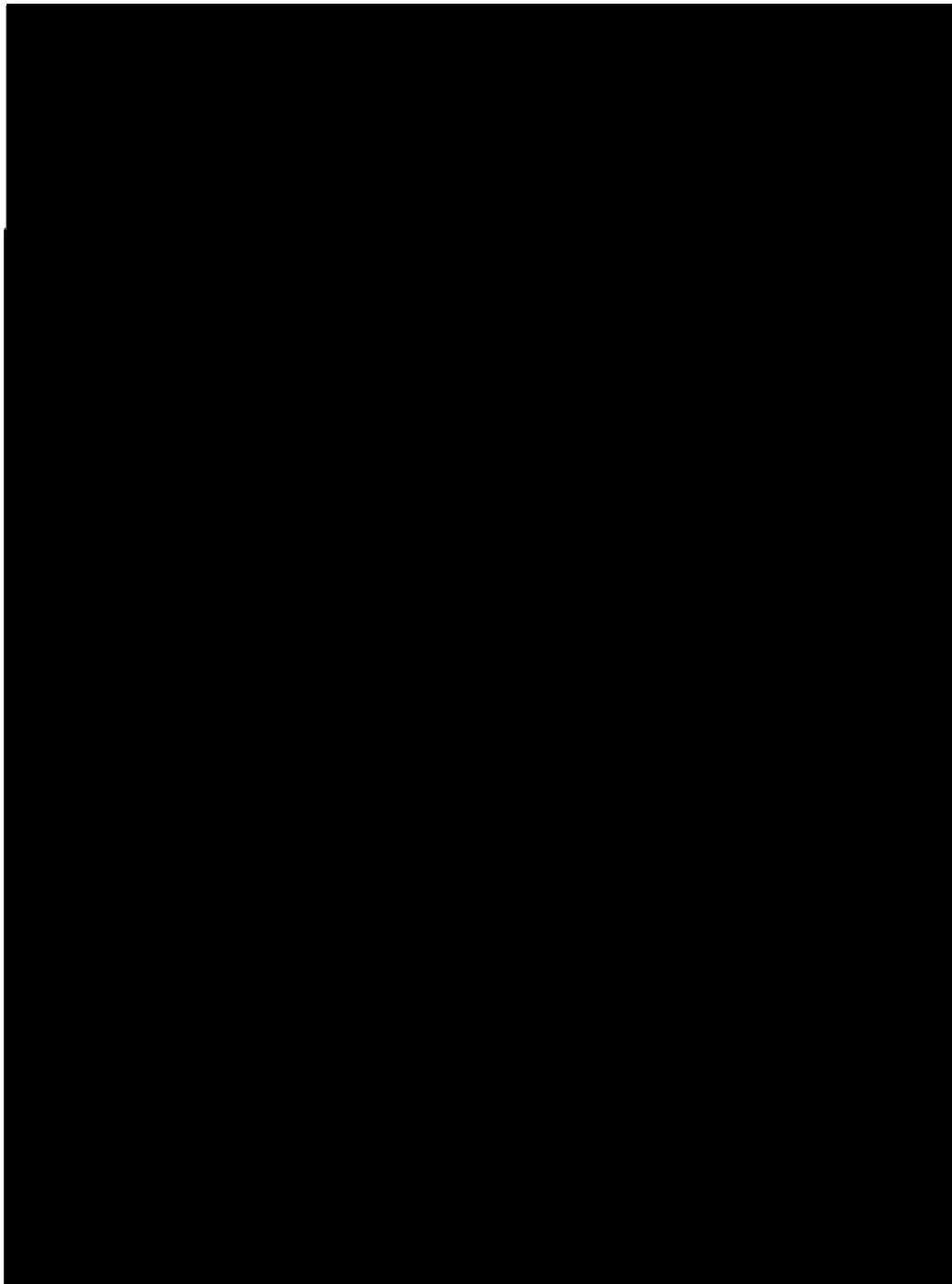
- A. Except to the extent different terms or prices are specified in this contract, applicable provisions of the Domestic Mail Manual (as may be regularly updated by the Postal Service and posted at [http://pe.usps.com/text/dmm300/dmm300\\_landing.htm](http://pe.usps.com/text/dmm300/dmm300_landing.htm)) and of other postal laws and standards apply to mail tendered under this contract.
- B. This Postal Service will make available to Customer [REDACTED] option for Parcel Return Service (“PRS”) pieces. [REDACTED] as specified in this contract.
- C. The Postal Service will provide to [REDACTED]
- D. The Postal Service will tender all of Customer’s PRS pieces to Customer in the following Postal Service equipment: double stackable gaylords or tall gaylords (72” or higher). Working with the Postal Service, Customer will return equipment to the Postal Service within 30 days.

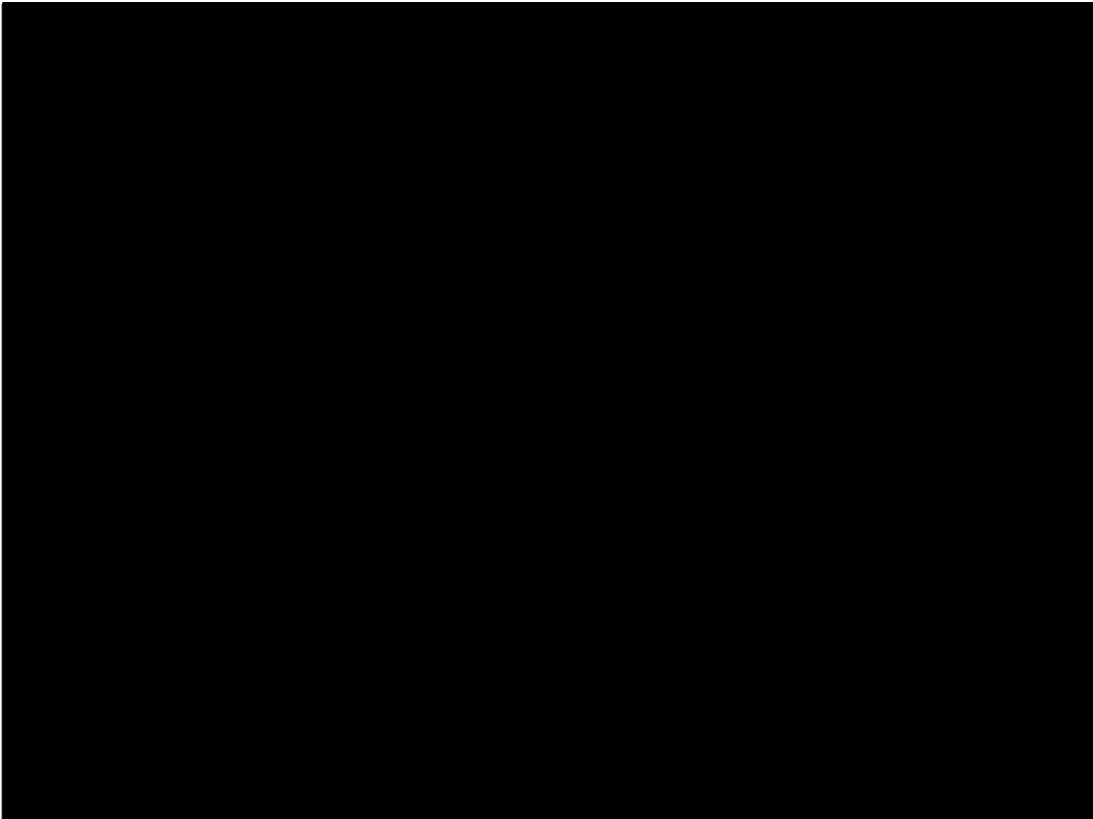
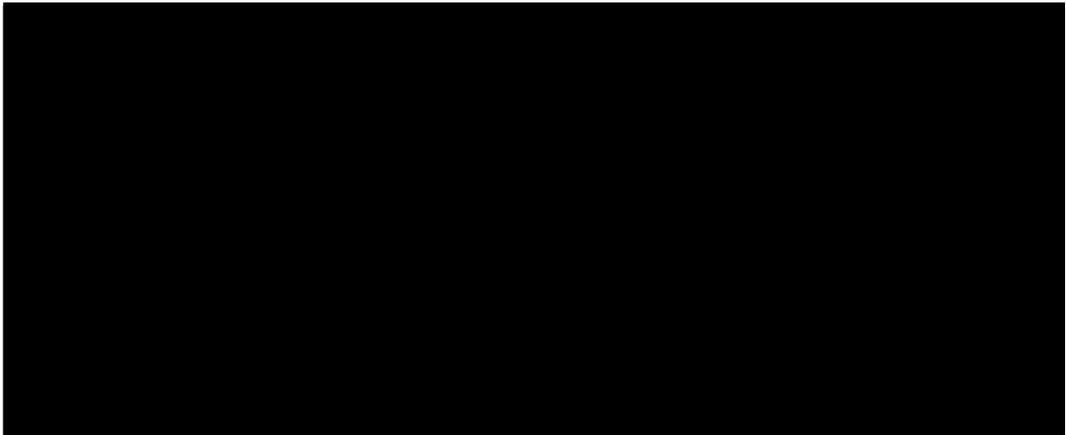
- E. To be eligible for the prices and options provided for in this contract, Customer must maintain [REDACTED]
- F. To be eligible for the prices and options provided in this contract, Customer must adhere to the following requirements for all of its PRS pieces, including those for which it pays published prices:



G. Price Calculation.

1. *Contract Years.* “Year(s)” or “contract year(s)” refers to the one-year period(s) from [REDACTED], unless otherwise specified.
2. *Contract Quarters.* “Quarter(s)” or “contract quarter(s)” refers to the periods as follows:  
[REDACTED]
3. *Base Prices.* Beginning on [REDACTED], customer will pay base prices as follows:







## **II. Regulatory Review and Effective Date**

This contract is subject to approval by Postal Service senior management and/or the Governors of the Postal Service, as well as by the Postal Regulatory Commission (“the Commission”). In accordance with Title 39 and the Commission’s Rules of Practice and Procedure, and upon approval of the Postal Service Governors, the Postal Service will make required filings with the Commission. The effective date of this contract shall be the day on which the Commission issues all necessary regulatory approval.

## **III. Expiration Date and Termination**

This contract shall expire two years from the effective date, unless (1) terminated by mutual agreement in writing, (2) renewed or extended by mutual agreement in writing, (3) superseded by a subsequent written contract between the Parties, (4) ordered by the Commission or a court, or (5) required to comply with subsequently enacted legislation. Either Party may terminate this contract unconditionally and without penalty upon thirty days’ written notice to the other Party.

## **IV. Confidentiality**

Customer acknowledges that as part of securing approval of this contract, the contract and supporting documentation will be filed with the Postal Regulatory Commission in a docketed proceeding. The Postal Service shall request from the Commission non-public treatment of information that the Postal Service deems to be eligible for protection from public disclosure when it files such material with the Commission, including Customer’s identity, the identity of Customer’s member organizations, the terms of this contract, and supporting data relating to postal costs, prices, and Customer’s shipping profile, including data relating to

Customer's member organizations. The Postal Service will redact such information from its public filing. Customer authorizes the Postal Service to determine the scope of information that must be made publicly available in the Commission's docketed proceeding. Customer further understands that a redacted version of this contract and redacted supporting information will be available on the Commission's public website, [www.prc.gov](http://www.prc.gov). At the request of Customer, the Postal Service will notify Customer of the docket number of the Commission proceeding once assigned. Customer has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. Customer agrees to treat as confidential and not disclose to third parties absent express written consent by the Postal Service any information related to this contract that is determined by the Commission to be non-public.

#### **V. Appeals**

Customer may appeal a Postal Service decision regarding prices, the calculation of prices or rebates, the amount of rebates paid, or other implementation or operational issues under this contract by submitting a written appeal within thirty (30) days of receipt of notification of the determination giving rise to the appeal to: Manager, Pricing and Classification Service Center, 90 Church St. Ste. 3100, New York, NY 10007-2951 ((212) 330-5300 / Fax: (212) 330-5320). The decision of the Manager, PCSC, will be administratively final. Any decision that is not appealed as prescribed becomes the final Postal Service decision.

#### **VI. Amendments**

This contract shall not be amended except expressly, in writing, by authorized representatives of the Parties.

#### **VII. Assignment**

Neither Party may, or shall have the power to, assign its rights under the contract or, delegate its obligations hereunder, without the prior consent of the other; such consent is not to be unreasonably withheld. In addition, in the event that Customer is merged with or into or acquires another entity, pricing under this contract following such merger or acquisition shall apply only to mail sent by the entity existing prior to the merger or acquisition. Following any such merger or acquisition, the parties may negotiate in good faith to extend, modify or enter into a new contract applicable to the merged or acquired entity.

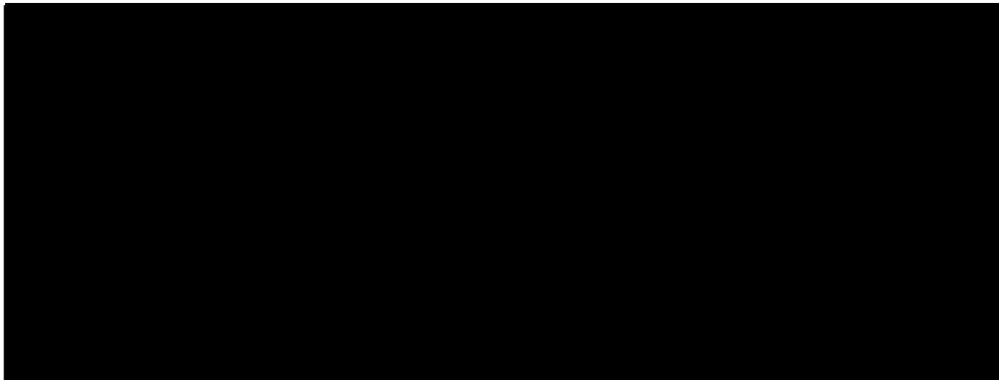
#### **VIII. Waiver**

Any waiver by a party shall not constitute a waiver for any future occurrence. No waiver shall be valid unless set forth in a writing executed by the party waiving such provision.

IN WITNESS WHEREOF, the Parties hereto have caused this contract to be duly executed as of the day and year first written above.

UNITED STATES POSTAL SERVICE

Signed by: Gary C. Reblin  
Printed Name: Gary C. Reblin  
Title: Vice President, Shipping Services  
Date: October 18, 2010



**MAIL CLASSIFICATION SCHEDULE**

**PART B—COMPETITIVE PRODUCTS**

**2000 COMPETITIVE PRODUCT LIST**

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**NEGOTIATED SERVICE AGREEMENTS**

Domestic

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Parcel Return Service Contract 2

## Statement of Supporting Justification

I, Daniel J. Barrett, Manager, Return Solutions, Shipping Services, am sponsoring this request that the Commission add Parcel Return Service Contract 2 to the list of competitive products. This 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 the 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 this Parcel Return Service contract be added to the competitive products list.

- (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.*

The service to be provided under the contract will cover its attributable costs and make a positive contribution to coverage of institutional costs. The contract will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises (39 U.S.C. § 3633(a)(1)).

- (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 contract sets specific terms and conditions for providing Parcel Return Service to the customer. Parcel Return Service is provided in a highly competitive market. The Postal Service is unable to set prices substantially above costs, raise prices significantly, decrease quality, or decrease output, without losing this business to private competitors in the ground shipping market.

In negotiating this contract, the Postal Service's bargaining position was constrained by the existence of other providers of services similar to the Postal Service's. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. As with Parcel Return Service in general, the Postal Service may not decrease quality or output without risking the loss of business to competitors that offer similar ground delivery services. The market does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contract is premised on prices and terms that provide sufficient incentive for the customer to ship with the Postal Service rather than a competitor.

- (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 189 U.S.C. 1696, subject to the exceptions set forth in 39 U.S.C. 601.*

I am advised that merchandise sent by Parcel Return Service and this contract are not covered by these provisions. 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. Ground shipping, including services such as Parcel Return Service, is widely available from well-known and successful private firms at both published and contract prices.

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

Having entered into this contract with the Postal Service, the customer supports the addition of the contract to the product list so that the contractual terms can be effectuated.

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

The market for ground shipping services is highly competitive and requires a substantial infrastructure to support a national network. Large shipping companies serve this market. The Postal Service is unaware of any small business concerns that could offer comparable service for this customer.

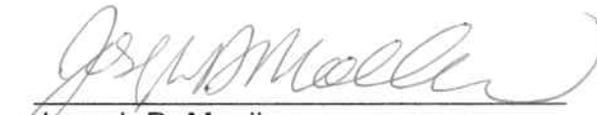
- (i) *Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

Additional details regarding the terms of the contract have been provided to the Commission under seal due to the sensitivity of the contract to both the customer and the Postal Service.

## **Certification of Prices for Parcel Return Service Contract 2**

I, Joseph D. Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, am familiar with the prices and terms for Parcel Return Service Contract 2. The prices and terms contained in this Contract were established by the Decision of the Governors of the United States Postal Service on Establishment of Rate and Class Not of General Applicability for Parcel Return Service, dated October 29, 2010 (Governors' Decision No. 10-5).

I hereby certify, based on in the financial analysis provided herewith, that the prices are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). They are expected to cover attributable costs. There should therefore be no subsidization of competitive products by market dominant products. The contract should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

  
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Joseph D. Moeller

**APPLICATION OF THE UNITED STATES POSTAL SERVICE  
FOR NON-PUBLIC TREATMENT OF MATERIALS**

In accordance with 39 C.F.R. § 3007.21, the Postal Service hereby applies for non-public treatment of: the unredacted shipping services contract;<sup>1</sup> and the supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5. The Postal Service hereby furnishes the justification required for this application by each subsection of 39 C.F.R. § 3007.21(c), as enumerated below.

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials. The Postal Service further requests that the Commission order that the duration of such treatment of customer identifying information be extended indefinitely.

**(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);**

The materials designated as non-public consist of information of a commercial nature, which under good business practice would not be publicly disclosed. In the Postal Service's opinion, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3), (b)(4).<sup>2</sup> Because the portions of the materials which the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service

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<sup>1</sup> The Postal Service informed the customer prior to filing its notice that it would be seeking non-public treatment of the redacted portions of the contract. The Postal Service also informed the customer that it could file its own application for non-public treatment of these materials in accordance with 39 C.F.R. § 3007.22.

<sup>2</sup> In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

**(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;**

The Postal Service believes that the customer with whom the contract is made has a proprietary interest in the non-public materials and that customer-identifying information should be withheld from public disclosure. Therefore, rather than identifying the customer, the Postal Service gives notice that it has already informed the customer, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the third party with proprietary interest in the materials filed in this docket is Elizabeth Reed, Attorney, 475 L'Enfant Plaza SW, Washington, D.C. 20260-1137, whose email address is [elizabeth.a.reed@usps.gov](mailto:elizabeth.a.reed@usps.gov) and whose telephone number is 202-268-3179.

**(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;**

The contract identifying the customer and containing the prices, terms and conditions of the contract, and the financial workpapers supporting the contract are being filed under seal in this docket. A redacted copy of the contract is being filed publicly in this docket. The Postal Service maintains that the redacted portions of the contract, name of the customer, and related financial information should remain confidential.

With regard to the contract, the redactions are of the name, address, signature block, and other information that could identify the customer; such identifying information of a postal patron may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c). Also redacted are the

negotiated price structure and the terms directly related to implementation of the price structure.

The redactions applied to the financial work papers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, information relevant to the mailing profile of the customer, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages or notes were redacted in their entirety due to the practical difficulties of redacting particular words or numbers within the text as presented in a spreadsheet format.

**(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;**

If the redacted information were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. First, revealing customer-identifying information would enable competitors to focus marketing efforts on current postal customers, undermining the effort and resources that the Postal Service has invested in cultivating business relationships with those customers. The Postal Service considers that it is highly probable that if this information were made public, its competitors would take immediate advantage of it. The contract includes a provision allowing the customer to terminate the contract without cause by providing at least 30 days' notice. Therefore, there is a substantial likelihood of losing the customer to a competitor that offers it lower pricing.

Other redacted information concerning the prices and related terms of the contract is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Revealing such information would provide a competitive advantage to competitors of the Postal Service. The Postal Service considers that it is highly probable that if this information were made public, such entities would take immediate advantage of it and there is a substantial risk that the Postal Service would lose business as a result. Competitors could use the information to assess the offers made by the Postal Service to its customers for any possible

comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, other postal customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service and other businesses could use the information to their advantage in negotiating with the customer. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial work papers include specific information such as costs, negotiated prices and pricing structure, assumptions used in developing costs and prices, mailer profile information, and projections of variables. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's and the customer's competitors would likely take great advantage of this information. Unlike its competitors, the Postal Service is required to meet the standards of 39 U.S.C. § 3633 with each negotiated service agreement that it asks to have added to the competitive products list. Competitors are not so constrained and could use the redacted information to their advantage in gaining customers. The formulas shown in the spreadsheets in their native format provide additional sensitive information. In addition, revealing the Postal Service's profit margin information could also be used by the customer to attempt to renegotiate its own prices. Finally, public disclosure of the information in the spreadsheets also presents a serious risk of commercial harm to the customer. Disclosure of such information could be used by competitors of the customer to acquire market intelligence about the customer's underlying costs, mailing patterns, and customer base.

**(5) At least one specific hypothetical, illustrative example of each alleged harm;**

Identified harm: Revealing customer identifying information would enable competitors to target the customers for sales and marketing purposes.

Hypothetical: The identity of the customer in this contract is revealed to the public. A competitor's sales representatives contact the Postal Service's customer and offer the customer lower prices or other incentives, taking away the business anticipated by the Postal Service.

Identified harm: Public disclosure of negotiated terms of the agreement could be used by competitors and potential customers to the detriment of the Postal Service and its customer.

Hypothetical: A competitor obtains a copy of the unredacted version of Customer A's contract and workpapers to the detriment of the Postal Service's customer. Company B discovers proprietary business strategies and changes its business practices to minimize differentiation, identify their key customer base and cause defection of Customer A's customers. Customer A cancels the contract and withdraws their business from the Postal Service. Other companies would then refuse to share critical details of their business or to participate in negotiated prices with the Postal Service, harming the Postal Service's ability to compete in the marketplace for additional volume and revenue.

Hypothetical: The competitor could leverage multiple services to offer deeper discounts than provided by the Postal Service's contract as a loss leader, using profits on other products profits to make up for the temporary loss.

Identified harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service or its representative obtains a copy of the unredacted version of the financial work papers. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for similar delivery services.

Hypothetical: Competitors constantly monitor "cost to serve" scenarios to combine and alter facilities to lower costs. A competitor could add satellite pickup stations closer to the Postal Service's customer in order to underbid the Postal Service's prices.

Identified harm: Public disclosure of the prices and related terms would provide potential customers extraordinary negotiating power.

Hypothetical: Customer B obtains the contract showing Customer A's negotiated prices and the underlying workpapers. Customer B can determine that there is additional profit margin between the prices provided to Customer A and the statutory cost coverage that the Postal Service must produce in order for the agreement to be added to the competitive products list. Although Customer B was offered prices identical to Customer A's, Customer B uses the publicly available information to insist that it unless the Postal Service offers it even lower prices than Customer A's, it will not use the Postal Service but will give its business to a competitor of the Postal Service.

Alternatively, Customer B attempts to negotiate lower rates only for those destinations for which it believes the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which it believes will still satisfy total cost coverage for the agreement. Then, Customer B uses other providers for destinations other than those for which it negotiated lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement. Although the Postal Service can terminate the contract when it sees that the mailer's practice and projected profile are at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on postal finances.

Harm: Public disclosure of information in the financial work papers would be used by the customer's competitors to its detriment.

Hypothetical: A business in competition with the customer obtains a copy of the unredacted version of the financial work papers. The customer's competitor analyzes the work papers to assess the customer's underlying shipping costs. The customer's competitor uses that information as a baseline to negotiate with shipping companies and other suppliers to develop lower-cost alternatives and thereby to undercut the customer.

**(6) The extent of protection from public disclosure deemed to be necessary;**

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in

the market for domestic parcel shipping products, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for such products should not be provided access to the non-public materials. This includes all competitors of the relevant customer, whether or not they are currently actual Postal Service customers.

**(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and**

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30. The Postal Service believes that the ten-year period of non-public treatment is sufficient to protect its interests with regard to the information it determined should be withheld due to commercial sensitivity, other than customer identifying information. The Postal Service believes that customer-identifying information should be protected permanently and asks the Commission to extend the duration of non-public status of that information indefinitely. Disclosure of customer identifying information leaves the Postal Service vulnerable to competitive "cherry-picking." Customers may seek to extend or renew their contracts, but the implementation of a new 10-year period of non-public treatment with each renewed contract does not affect the expiration of non-public treatment of the same information under the original contract. Therefore, the Postal Service seeks indefinite non-public treatment of the customer's name, address and other identifying information in the non-public materials.

**(8) Any other factors or reasons relevant to support the application.**

None.