

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

COMPETITIVE PRODUCT PRICES  
GLOBAL EXPEDITED PACKAGE SERVICES CONTRACTS  
NON-PUBLISHED RATES 2

Docket No. CP2011-45

**NOTICE OF THE UNITED STATES POSTAL SERVICE CONCERNING GLOBAL  
EXPEDITED PACKAGE SERVICES--NON-PUBLISHED RATES AND APPLICATION  
FOR NON-PUBLIC TREATMENT OF MATERIALS FILED UNDER SEAL**  
(December 15, 2010)

On July 14, 2010, the Governors of the United States Postal Service (Postal Service) established the Global Expedited Package Services--Non-published Rates product as a competitive product not of general applicability by their Decision 10-2. The Commission added GEPS--Non-published Rates (GEPS-NPR) 1 to the competitive product list within the Mail Classification Schedule (MCS) on November 22, 2010.<sup>1</sup> Pursuant to 39 C.F.R. § 3015.5, the Postal Service is providing the Commission notice that it has determined to change the GEPS—NPR 1 rates, effective January 2, 2011. The Governors' Decision establishing the new rates accompanies this notice. An application for non-public treatment of the materials filed to support this notice is attached, as are redacted versions of those materials. Unredacted versions of the supporting materials are being filed under seal.

---

<sup>1</sup> Order No. 593, Docket Nos. MC2010-29 and CP2010-72, Order Approving Postal Service Request to Add Global Expedited Package Services—Non-Published Rates 1 to the Competitive Products List, November 22, 2010, at 18.

***I. Introduction***

The Postal Service's Governors established rates and the classification for GEPS—NPR by Governors' Decision 10-2. GEPS—NPR offers incentive pricing to small and medium-sized business mailers that are capable of mailing at least \$50,000 in international postage and that are willing to enter a contractual commitment to minimum levels of revenue from use of Express Mail International (EMI) and Priority Mail International (PMI) products. The Commission granted the Postal Service's request to add GEPS—NPR to the competitive products list of the MCS through Order No. 593 on November 22, 2010. In the meantime, the Postal Service notified the Commission in Docket No. CP2011-26 that it would be changing the published rates for EMI and PMI, effective January 2, 2011, and notified the Commission of classification changes for those products. On December 2, 2010, the Commission noted that the proposed classification changes would be incorporated into the MCS and that the planned price adjustments for EMI and PMI appear to comply with statutory and regulatory requirements.<sup>2</sup> Because the rates for GEPS—NPR are based on the published rates for EMI and PMI, when those rates change, the rates for GEPS—NPR must also change.

Additionally, when the Postal Service makes changes to classifications of general applicability that affect more than the inputs page of the financial models used to generate the GEPS—NPR rates, the Postal Service must include in a filing pursuant to

---

<sup>2</sup> Order No. 603, Docket No. CP2011-26, Order Approving Changes in Rates of General Applicability for Competitive Products, December 2, 2010 at 9.

39 C.F.R. § 3015 a complete updated financial model.<sup>3</sup> The notice filed in Docket No. CP2011-26 explains that the country groups for EMI and PMI pricing are being expanded from ten to 17 groups. This change to the generally applicable EMI and PMI classifications will affect more than the inputs page of the GEPS—NPR financial model. Therefore, the updated model is included in support of this notice.

## **II. Changes Characterizing GEPS—NPR 2**

Since filing its request to add GEPS—NPR to the competitive products list in July 2010, the Postal Service has considered and adopted certain changes affecting this new product. The definition of “qualifying mail” no longer excludes the EMI and PMI letter post items (flat rate envelopes and small flat rate boxes). When GEPS customers<sup>4</sup> use these products, the revenue will be counted toward the customer’s contractual revenue commitment, but no pricing incentives will apply, because discounts are already built into the flat rate product pricing. This change encourages GEPS customers to use Postal Service expedited international letter post products without compromising the cost coverage of the GEPS contracts. This change appears in Articles 4 and 8 of the model agreement.<sup>5</sup>

Another change to the model agreement appears in Article 6. This change requires a customer using a USPS-approved PC Postage Provider as its payment intermediary to file PS Form 3152, Confirmation Services Certification or PS Form 5630, Shipment Confirmation Acceptance Notice, or a functional equivalent with its mailings.

---

<sup>3</sup> Order No. 593, pp.17 n.22 and 19.

<sup>4</sup> The contractual changes described in this notice will also appear in the traditional GEPS 3 customer contracts, which are filed individually and added to the competitive products list of the MCS as separately reported products.

<sup>5</sup> A consequential change to Article 20 concerning liability results from this change, because the Universal Postal Union’s provisions concerning indemnity do not apply to letter post items sent by U.S. customers. See UPU Convention art. 21, RL 134 and International Mail Manual 323.

The purpose of this change is to provide greater financial controls to enable the Postal Service to better account for the revenue generated through this stream.

Neither of these changes affects the rate design used to generate the rates for GEPS—NPR. Nor do the changes affect the market characteristics of the GEPS—NPR product, which continues to be small- and medium-sized business mailers wishing to use international expedited delivery services for their correspondence and order fulfillment. All of the provisions that link to the financial models to generate customer-specific pricing tables remain unchanged from the model contract submitted to the PRC in support of the Postal Service's request to add GEPS—NPR to the MCS.

A classification change that distinguishes GEPS—NPR 2 from GEPS—NPR 1 is the change referenced by the Commission in Order No. 593, expanding the country groups for EMI and PMI from ten to 17. This change is reflected in the updated financial models used to generate the new rates for 2011, established by Governors' Decision 10-7

The final difference between GEPS—NPR 1 and GEPS—NPR 2 is the rates themselves. The Commission anticipated that notice of new rates for GEPS—NPR would necessitate the addition of successor groupings under this competitive product. Because of the timing of the addition of GEPS—NPR 1 to the MCS and January 2, 2011, effective date for the change in the generally applicable rates for EMI and PMI, no customer contracts will be filed under the GEPS—NPR 1 grouping. Contracts with customers offered rates established for GEPS—NPR 2 will be filed under that product grouping, in accordance with the Commission's instructions as set out in Order No. 593.

### **III. Application for Non-Public Treatment**

The Postal Service maintains that certain portions of Governors' Decision 10-7 and related financial information should remain confidential. As Attachment 1 to this Request and Notice, the Postal Service files its application for non-public treatment of materials filed under seal. As noted above and consistent with Order No. 593, the Postal Service anticipates providing the mailer agreements memorializing the sale of GEPS—NPR 2 to the Commission. Minimal information from those agreements is considered to be confidential due to its commercially sensitive nature or its identification of a particular customer. The Postal Service is including with this filing a model agreement with the information it intends to redact highlighted in yellow.<sup>6</sup> The application for non-public treatment attached to this notice addresses those redacted materials. When it files actual customer agreements with the Commission in this docket, the Postal Service will rely on this application for non-public treatment for protection of the information redacted from those materials. A full discussion of the requested elements of the application appears in Attachment 1. Other attachments to this request include:

- Attachment 2            Governors' Decision 10-7
- Attachment 3            Model agreement
- Attachment 4            Financial model

---

<sup>6</sup> The public version of the contract will have the highlighted portions redacted, because some of them include commercially sensitive information, while others are illustrative of what would be redacted if this were an actual customer agreement. This presentation of the contract will be helpful to both the public and the potential customers to understand the limited but necessary nature of the redactions. Additionally, the Postal Service notes that the model agreement is for nationwide access to its network, variations for other access options, including "Metro" and "ISC Drop Ship" are familiar to the PRC and the interested public from numerous GEPS 1 through GEPS 3 filings.

**VII. Conclusion**

For the reasons discussed, the Postal Service believes that Global Expedited Package Services--Non-published Rates 2 should be added to the competitive product list to reflect the change in non-generally applicable rates for this competitive product. The Postal Service asks that the Commission add GEPS—NPR 2 to the competitive products list of the Mail Classification Schedule.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business

Laree Martin  
Attorney

Arneece L. Williams  
Paralegal Specialist

475 L'Enfant Plaza, S.W. Rm. 6109  
Washington, D.C. 20260-1137  
(202) 268-3816; Fax -5628  
laree.k.martin@usps.gov  
December 15, 2010

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

In accordance with 39 C.F.R. § 3007.21, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to a notice that the Postal Service has determined to change the not-generally applicable rates associated with the Global Expedited Package Services—Non-published Rates (GEPS—NPR) 1 product. The Governors' Decision establishing the new rates, a model contract, and a financial model incorporating a classification change affecting the published rates for Express Mail International and Priority Mail International products are being filed separately under seal with the Commission, although redacted copies of the materials are filed with the Notice as Attachments 2, 3 and 4, respectively.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

**(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);**

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(3) and (4). 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).<sup>1</sup> Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service 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 e-mail 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;**

Third parties that may have a proprietary interest in the information included in the financial model include the designated operators or foreign posts with which the U.S. Postal Service settles accounts and the PC Postage vendors authorized to offer services to contract rate customers. The point of contact to provide notice to the foreign postal operators is Guadalupe Contreras, EMS Manager, International Postal Relations. Ms. Contreras's phone number is (202) 268-4598, and her email address is [Guadalupe.n.contreras@usps.gov](mailto:Guadalupe.n.contreras@usps.gov). The points of contact for the two PC Postage vendors currently authorized to offer services to contract rate customers are:

For Endicia.com:

Ms. Candi A. Booth, National Sales Manager  
(650) 321-2640 x183; [candi.booth@endicia.com](mailto:candi.booth@endicia.com)

For Stamps.com Shipping Solutions:

Mr. Jeff Crouse, Vice President, Marketing  
(310) 482-5895; [jcrouse@Stamps.com](mailto:jcrouse@Stamps.com)

Consistent with the Commission's instructions in Order No. 593, the Postal Service will, in the future, file customer-specific agreements and performance reports.

---

<sup>1</sup> 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.

Concerning those agreements and reports, the customer with which the agreement is made would have a proprietary interest in the materials. Article 20 of the model agreement provides each customer with notice of the Postal Service's intent to file the agreement with the Commission and its intent to seek non-public treatment of the information the Postal Service determines may be withheld from public disclosure. The notice provides the customer with the docket number in which the agreement will be filed and gives the customer information about how to raise its confidentiality concerns directly with the Commission. Each customer will identify a point of contact in Article 30 of the contract, which the Commission may use, should it determine that there is a need to provide notice of information requests or anticipated disclosures in the future.

**(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;**

In connection with its Notice filed in this docket, the Postal Service included the applicable Governors' Decision, a model contract and a financial model that the Postal Service will use to generate customer-specific rates. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of these materials should remain confidential as sensitive business information. Additionally, the model contract includes indications of information that will be redacted when the customer-specific agreements are filed in this docket in the future.

The three-page Governor's Decision is reproduced as Attachment 2 and includes supporting materials, Attachments A through D, to the Decision. Redactions appear on page two of the Decision, pages one through four of Attachment A, and throughout Attachment B. These redactions protect sensitive commercial information concerning

the incentive discounts and their formulation, the percentage used by the Postal Service to ensure that contracts achieve statutory cost-coverage, and the non-published rates themselves.

With regard to the model GEPS agreement filed in this docket, some indicated redactions relate to customer-identifying information. These appear on page 1, in Article 30, in the signature block, and in the footer of the agreement and its annex or annexes. The redacted information constitutes the name or address of a postal patron whose identifying information may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2). From Article 2, the customer's choice of PC Postage Provide is redacted. Additionally redactions appear in Articles 9, 11, 14, and 32. They include various penalties and interest that may be assessed under certain circumstances, the customer's revenue commitment, and the percentage of cost increase which may trigger a consequential price increase.

Performance reports that will be filed in this docket will typically show the actual revenue and cost coverage of the customer's completed contract. The Postal Service will redact all of the values represented in these reports as commercially sensitive business information and will also protect any customer identifying information from disclosure.

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

The Governors' Decision and the attachments to it include the Postal Service's desired cost-coverage for GEPS agreements, specific rate information and a detailed description of the methodology used to establish the rates, which are highly confidential in the business world. If this information were made public, the Postal Service's

competitors would have the advantage of knowing the range of prices that may be offered by the Postal Service to its customers for EMI and PMI with volume incentives applied and the contribution margin used to establish the prices. Thus, competitors would be able to take advantage of the information to offer lower pricing to the GEPS customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the expedited package services market.

Potential customers could also take advantage of the information in negotiating the specific rates to be applied to their circumstances, depending upon the downstream access choices they make and their revenue commitment level. They could demand the absolute floor, when it would otherwise be possible in some cases for the Postal Service to offer a higher, but still competitive rate.

If the portions of the contract that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Redacted information in the model contract (which is included as Attachment 3 to this notice) includes various penalties and the percentage of cost increase which may trigger a consequential price increase. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. 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, potential customers could use the information to their advantage in negotiating the terms of their agreements with the Postal Service. The Postal Service

considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

Customer-identifying information redacted from the customer agreements could be used by competitors to target their marketing efforts on current USPS customers.

The redactions in the financial models include commercially sensitive business information from which the particular prices to be offered to specific customers are generated, while maintaining statutory cost-coverage requirements. Public disclosure of this information would give competitors an exact model of Postal Service pricing that could be used to develop lower pricing to present to customers in an attempt to convert them from contracts with the Postal Service.

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

Identified harm: Public disclosure of established rates and the financial model and methodology used to generate the rates would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing expedited package delivery service obtains a copy of the unredacted version of the Governors' Decision or the financial model or both from the Postal Regulatory Commission's website. It reviews the rates or the model or both and then sets its own rates for products similar to what the Postal Service offers its GEPS customers under the Postal Service's rates and markets its ability to guarantee to beat the Postal Service on price for international expedited delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal

Service out of the business-to-business and business-to-customer expedited delivery services markets for which the GEPS product is designed.

Identified harm: Public disclosure of the rate charts in the Governors' Decision would provide potential customers extraordinary negotiating power to extract lower rates.

Hypothetical: A customer with the rate information included in the Governors' Decision could, on a cell by cell basis, demand the lowest possible rate in every rate cell, knowing that the Postal Service's approved rates include those floor amounts. Armed with the rate information, a customer could threaten that it will not use the Postal Service for its expedited package service delivery needs if it does not receive the lowest possible rates. This would severely threaten the Postal Service's ability to offer competitive but profitable rates to its customers within the minimum and maximum rates established by the Governors' for each rate cell.

Identified harm: Public disclosure of the information redacted from the model contract would provide competitors commercial advantages at the Postal Service's expense.

Hypothetical: A competitor is able to review the Postal Service's penalty clauses and underlying cost increase trigger for pass-through increases in pricing. The competitor takes that information and uses it to differentiate its own product from the Postal Service's product when it sells to potential customers, convincing those customers that the competitor's product is better.

Identified harm: Public disclosure of customer-identifying information and actual performance reports from the contracts would give competitors a marketing advantage.

Hypothetical: A competitor is able to identify Postal Service customers being offered GEPS—Non-published Rates for EMI and PMI from information provided on the PRC's website. The competitor uses this information to contact the customer directly and attempt to undersell the Postal Service and obtain new business from the Postal Service's customer. The competitor could use the information included in the performance reports to "qualify" potential customers, choosing to focus marketing efforts only on those customers that have a mailing profile that is attractive to the competitor, based on its business operations.

**(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 relevant market for international expedited and parcels products (including both private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials.

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

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.

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

Consistent with PRC Order No. 593, the Postal Service will file customer agreements and performance reports in this docket. The Postal Service considers this Application sufficient to fulfill its regulatory requirements for justifying its determinations that the information redacted from those materials should be treated as non-public.

***Conclusion***

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE  
ESTABLISHMENT OF PRICES FOR GLOBAL EXPEDITED PACKAGE SERVICES—  
NON-PUBLISHED RATES 2 (GOVERNORS' DECISION NO. 10-7)**

---

December 14, 2010

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

Pursuant to our authority under section 3632 of title 39, United States Code, 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. This decision establishes new prices by approving all of the potential prices in one-cent increments from the minimum possible to the maximum possible prices for Express Mail International and Priority Mail International offered through certain Global Expedited Package Services (GEPS) negotiated service agreements. GEPS Non-published Rates 1 was added to the competitive product list of the Mail Classification Schedule on November 22, 2010, in Postal Regulatory Commission Docket Nos. MC2010-29 and CP2010-72. The new prices in this Decision are established as a result of our approval of a change to the prices of the underlying EMI and PMI products, which raises the price ceiling for GEPS Non-published Rates and thereby results in changes in the nonpublished, discounted rates.

Management's analysis of the methodology for assigning the specific customer prices is specified in Attachment A, and management's certification of the appropriateness of the prices and methodology appears in Attachment C. We have reviewed management's analysis and have concluded that the prices in Attachment B emerging from application of the methodology are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts falling within the classification of GEPS Non-Published Rates and having prices approved as specified in Attachment A 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 assigned according to the methodology specified in Attachment A are appropriate for the services covered by the GEPS Non-published Rates contracts. Management's analysis of the prices and the methodology for assigning the prices supports our decision to establish these prices for the specified type of contracts.

We are satisfied that the prices and the methodology for assigning the prices as approved in Attachments A and B meet the applicable statutory and regulatory requirements. The minimum prices when assigned using the approved methodology provide greater than 100 percent coverage of the costs attributable to each agreement within this product grouping. We accept and rely upon the certification in Attachment C that the correct cost inputs for the prices have been identified. In addition, the methodology for assigning the minimum prices provides that the cost inputs are multiplied by a factor of 114 percent. This multiplier produces prices that should cover the agreements' attributable costs and provide a contribution toward the Postal Service's institutional costs. The prices should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment C, 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.

The prices authorized by this Decision may go into effect beginning January 2, 2011.

#### **ORDER**

In accordance with the foregoing Decision of the Governors, the prices set forth herein, the methodology for assigning the prices set forth herein, and the model agreement for Global Expedited Package Services Non-published Rates 2, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices are assigned using the methodology set by this Decision.

Prices established pursuant to this Decision may go into effect beginning January 2, 2011.

By The Governors:

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

Louis J. Giuliano  
Chairman

**Attachment A**

**Management’s Analysis Of The Prices And Methodology For Determining Prices For Negotiated Service Agreements Under Global Expedited Package Services— Non-published Rates 2**

Through the establishment of GEPS Non-published Rates 1, management is streamlining the process for approving GEPS agreements, while maintaining their profitability and competitive positioning in the market. This improvement reduces the administrative time and effort required to navigate the regulatory process and eliminates uncertainty for both the customers and the Postal Service concerning the implementation and activation of the sales agreements.

**Overview of the GEPS product**

The Postal Service offers 8 incentive tiers based on a mailer’s revenue commitments for EMI and PMI combined. GEPS prices are based on the level of downstream access: International Service Center (ISC) Drop Ship, Metro, and Traditional. The ISC Drop Ship service requires the mailer to tender directly to an ISC, thereby eliminating both domestic and local surface transportation costs to the USPS. The Metro offering requires that the mailer tenders at designated locations within 200 miles of an ISC to avoid domestic air transportation costs. In both cases, the mailer assumes responsibility and the costs associated with delivering to the point of entry. Traditional access does not restrict where a mailer enters, but the mail must be tendered at an approved Business Mail Acceptance Unit<sup>1</sup>. The following table, which has not changed since the Governors’ established the GEPS—Non-published Rates product in Governors’ Decision 10-2, summarizes the GEPS options and potential pricing incentives based on customer revenue commitment level:

Tier	Revenue (USD 000s)	Traditional		Metro		ISC Drop Ship	
		EMI	PMI	EMI	PMI	EMI	PMI
1							
2							
3							
4							
5							
6							
7							
8							

<sup>1</sup> A few GEPS agreements include a combination of downstream access options, when a customer has multiple shipping locations, one or more of which are in or proximate to cities where the Postal Service maintains an ISC. In such agreements, the mailer’s rates are still dependent upon the point of tender, with higher rates applying at the non-ISC drop ship entry points.

### **Minimum and Maximum Prices**

EMI and PMI published rates are set by country of destination and weight of the article, currently with a total of 17 country groups and 71 weight steps, beginning with articles weighing not more than 0.5 pound. The minimum potential prices for EMI and PMI under GEPS—Non-published rates are the prices that might be offered to a mailer making a revenue commitment at Tier 8 and electing the ISC Drop Ship downstream access option. Under these circumstances, the mailer could potentially be provided incentives resulting in prices that are [REDACTED] the EMI published rate and [REDACTED] the PMI published rate for the same destination and weight step. The potential minimum prices for each destination country group consist of the Tier 8 ISC Drop Ship rates, and these establish the floor for prices for GEPS—Non-published Rates.

GEPS customers are required to meet minimum volume or weight requirements established for presentation of a manifest mailing and to use USPS-approved software to generate labels and customs declarations. Retail customers using Click-N-Ship™ receive incentives of eight percent and five percent off the published rates for EMI and PMI respectively. GEPS customers would qualify for these incentives by using Click-N-Ship, even if they were unable to present the articles using a manifest mailing. Therefore, the most that the GEPS—Non-published Rates customers will pay are the prices resulting from applying the publicly available eight and five percent discounts to the EMI and PMI published rates for the highest weight step in each of the destination country groups. These prices represent the ceiling for GEPS—Non-published Rates. In Decision No. 10-4, the Governors determined to change the published prices for EMI and PMI effective January 2, 2011. The prices in this Decision represent a corresponding change to the ceiling prices for the GEPS—Non-published Rates product grouping.

The minimum and maximum prices representing the floor and ceiling for EMI and PMI prices under GEPS-Non-published rates are expressed in the charts in Attachment B. The range of prices by cell represent all of the potential prices in one-cent increments which are to be considered as if they actually appeared on the table. The potential prices that could be offered as approved under the Governors' Decision for GEPS—Non-published Rates for EMI and PMI are all of those prices, in one-cent increments, between the minimum and maximum prices appearing in each rate cell listed by country group and the weight steps available to the applicable destinations.

As an example, for EMI, a GEPS mailer sending an item weighing four ounces to a destination in country Group 1 could potentially be offered a price [REDACTED] including every price between the two in one-cent increments (i.e., [REDACTED]). The exact price would be determined by applying a consistent methodology to the downstream access option, payment option and revenue commitment choices made by the customer.

- 3 -

### **Pricing Methodology**

Management's pricing methodology begins with the cost coverage evaluation of the Postal Service's on-line published prices. The absolute floor for GEPS pricing is defined by the incentives offered to ISC Drop Ship customers at Tier 8 for the lowest weight step at each country rate group available. For each of these price cells, the Postal Service determines if there is cost coverage to support the applicable GEPS Non-published Rate.

Rate design involves the following constraints applied to each price cell:

- If the fully discounted price covers less than [REDACTED] of attributable costs, then the mailer is offered either the published price or a smaller percentage discount off the published price that covers [REDACTED] of attributable costs; or
- If the fully discounted price covers [REDACTED] or more of attributable costs, then the mailer is offered a price up to the full discount.

To ensure that the prices are not stale in comparison to indices used as cost inputs or in comparison to foreign exchange rate fluctuations, management updates these factors on a monthly basis, but the rates generated will never be lower than the actual minimum prices established in the Governors' Decision.

### **Financial Review**

The application of the [REDACTED] cost coverage mechanism described above results in prices offered to customers that will meet the thresholds established by statute and by regulation, based on an analysis of historical customer volumes. Management modeled a 12-month forward looking cost coverage analysis of the prices based on the volume and mailing profile of the GEPS agreements for a 12-month period.

The chart below demonstrates the expected cost coverages for GEPS agreements based on a 12-month historical profile of GEPS customers' mailing patterns, from May 2009 to April 2010. This historical volume profile, which plots volume by tier, country group, and downstream access option, was then used to create a distribution key. That distribution key was then applied to projected volumes for the 12-month period beginning June 2010. The projected volumes by tier and downstream access were then multiplied by the applicable projected rates for Tiers 1 to 8, which were constructed based on the minimum prices for Tier 8 in Attachment B. Finally, these were summed to determine total revenue. The model demonstrates that the rates designed from the minimum prices in Attachment B would comfortably cover attributable costs.

**All GEPS Softwares and Offerings**  
**Projected Total GEPS--Non-published Rates Cost Coverage Summary**

Product	Total Volume	Estimated Total Revenue	Estimated USPS Revenue	Estimated Cost	Contribution	Total Cost Coverage	% of Total GEPS
GSS Nationwide							
GSS Metro							
GSS Drop Ship							
Endicia.com Nationwide							
Endicia.com Metro							
Stamps.com Nationwide							
Stamps.com Metro							
GSS Nationwide - Flat Rate							
GSS Metro - Flat Rate							
GSS Drop Ship - Flat Rate							
[Redacted] Nationwide - Flat Rate							
[Redacted] Metro - Flat Rate							
[Redacted] Nationwide - Flat Rate							
[Redacted] Metro - Flat Rate							
<b>Total Cost Coverage</b>							

**Regulatory Review and Contract Implementation**

The Postal Service will submit prices to the Postal Regulatory Commission for Tier 8 incentives based on the ISC Drop Ship downstream access option in support of its notification of the PRC of these new rates not of general applicability. These prices will represent the price floor for all sales contracts offering GEPS Non-published Rate incentives after January 1, 2011. The publicly available discounts of eight percent and five percent off the published rates for EMI and PMI, respectively, will represent the price ceiling for each country rate group for all downstream access options.

The Postal Service continues to use a standard contract offered to customers in the small to medium sized enterprise market for the same products: EMI and PMI. This model agreement is included with our analysis as Attachment A and is modified from the model approved in Governors' Decision 10-2. All of the modified provisions are highlighted in blue for easy reference. Many of the changes represent drafting changes intended to clarify the terms of the agreement. The changes to Article 4, the definition of Qualifying Mail, and to Article 6, Specific Preparation Requirements, are substantive changes. With the change to Article 4, customers may now count items mailed internationally in Flat Rate Boxes and Flat Rate Envelopes toward what is considered "qualifying mail" under the terms of the agreement. The change to Article 6 requires customers using a USPS-approved PC Postage Provider to make payments and generate mailing labels to provide an acceptance scan through the use of PS Form 3152, which gives the Postal Service better controls over accounting for the revenue generated through this channel. The cost and market characteristics of the product grouping do not depend upon the terms of the contract and do not vary by customer.

- 5 -

Consistent with PRC Order No. 593, the Postal Service will provide a copy of each customer agreement to the PRC, along with the financial cost inputs used to generate the rates for the customer, and the effective date of the agreement. All contracts using this version of the customer contract and the rates approved in this Governors' Decision will be filed in a single docket and will be reported as a single competitive product in the appropriate Annual Compliance Report. Each contract will bear a serial number and subsequent information filed with the PRC concerning a specific contract, such as performance reports upon termination or expiration of the contract, will be filed with reference to the docket and serial number.

With GEPS—Non-published Rates, the Postal Service provides the prices within the established range to qualified customers applying for the incentives, using the methodology described above. Once a customer signs a GEPS agreement under this pricing approach, the Postal Service begins the customer's incentive program as soon as the Postal Service and the customer are ready to implement it.

### **Benefits**

In Order No. 593, the PRC praised the Postal Service for developing "an innovative way to speed up the process of approving contracts." Unfortunately, the decision from the PRC comes at a time when its actual implementation is impractical because the rates provided for under that Order will remain effective only until January 1, 2011. Nevertheless, the new methodology and process for implementing GEPS negotiated service agreements will prove advantageous. For instance, from the time that the Postal Service filed its request to add GEPS—Non-published Rates to the Mail Classification Schedule until the time that the PRC issued its order granting that request, the Postal Service filed over 60 GEPS contracts under the classification for GEPS 3 contracts. These contracts would have met the requirements for classification as GEPS—Non-published Rates contracts, had that product grouping been on the competitive product list at the time. Although the Postal Service attempted to file the contracts as efficiently as possible by batching them into several filings, they still required separate financial certifications, the establishment of separate dockets on the PRC website, multiple notifications to customers and other third parties, review and comment by a Public Representative and the preparation of other documents related to the regulatory filing process.

Under the new process, the Postal Service will not have to certify the cost coverage of each contract, will not have to justify the addition of each contract to the competitive products list, and will not have to delay implementation of the customer incentives for mailing pending a positive review of the agreement by the Commission. The Commission, for its part, will not have to establish a docket for each contract, will not have to assign a Public Representative to review the contracts and related financial documents, and will not have to issue orders to add each contract to the competitive products list. The new process provides both the Postal Service and the Commission

the means to decrease administrative costs associated with the current GEPS contract review process. Since Postal Service revenues fund both organizations, savings to either organization result in overall savings for the Postal Service.

Additionally, the Postal Service will be better able to serve customers by promptly entering into sales contracts, instead of waiting for regulatory review of each individual contract for a determination of its functional equivalency to the established product grouping. Now the Postal Service is positioned better against competitors, and customers now have the certainty of knowing that when they sign an agreement with the Postal Service, they have a binding contract, not just a preliminary agreement that is contingent upon final regulatory review.

### **Summary**

The prices and methodology employed in the GEPS—Non-published Rates product grouping proposal are appropriate for the highly competitive international expedited delivery service market with small to medium sized enterprises as mailers. When the customer opts to tender the mail at a location that reduces costs to the Postal Service, the GEPS—Non-published Rates reward the customer with pricing incentives. Likewise, when the customer commits to a fixed level of revenue for EMI and PMI, which are strong contribution products, the Postal Service rewards the customer with pricing incentives that compete with other international expedited delivery service providers while maintaining the cost coverages necessary to make a positive contribution to the Postal Service's net profitability. This change in the price floor and ceiling, which corresponds to the price changes approved by the Governors in Governors' Decision 10-4 will ensure that GEPS—Non-published Rates continues to make a positive contribution to the Postal Service's bottom line.

**GEPS--NPR 2011 Express Mail International - Rates**

Minimum Rates: EMI Discount: [REDACTED]  
 Maximum Rates: EMI Discount: [REDACTED]

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17	
[a]	0.5	min max																		
[b]	1	min max																		
[c]	2	min max																		
[d]	3	min max																		
[e]	4	min max																		
[f]	5	min max																		
[g]	6	min max																		
[h]	7	min max																		
[i]	8	min max																		
[j]	9	min max																		
[k]	10	min max																		
[l]	11	min max																		
[m]	12	min max																		
[n]	13	min max																		
[o]	14	min max																		
[p]	15	min max																		
[q]	16	min max																		
[r]	17	min max																		
[s]	18	min max																		
[t]	19	min max																		
[u]	20	min max																		

**GEPS--NPR 2011 Express Mail International - Rates**

Minimum Rates: EMI Discount: [REDACTED]  
 Maximum Rates: EMI Discount: [REDACTED]

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17	
[v]	21	min max																		
[w]	22	min max																		
[x]	23	min max																		
[y]	24	min max																		
[z]	25	min max																		
[aa]	26	min max																		
[ab]	27	min max																		
[ac]	28	min max																		
[ad]	29	min max																		
[ae]	30	min max																		
[af]	31	min max																		
[ag]	32	min max																		
[ah]	33	min max																		
[ai]	34	min max																		
[aj]	35	min max																		
[ak]	36	min max																		
[al]	37	min max																		
[am]	38	min max																		
[an]	39	min max																		
[ao]	40	min max																		
[ap]	41	min max																		
[aq]	42	min max																		

**GEPS--NPR 2011 Express Mail International - Rates**

Minimum Rates: EMI Discount: [REDACTED]

Maximum Rates: EMI Discount: [REDACTED]

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]	
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17	
[ar]	43	min max																		
[as]	44	min max																		
[at]	45	min max																		
[au]	46	min max																		
[av]	47	min max																		
[aw]	48	min max																		
[ax]	49	min max																		
[ay]	50	min max																		
[az]	51	min max																		
[ba]	52	min max																		
[bb]	53	min max																		
[bc]	54	min max																		
[bd]	55	min max																		
[be]	56	min max																		
[bf]	57	min max																		
[bg]	58	min max																		
[bh]	59	min max																		
[bi]	60	min max																		
[bj]	61	min max																		
[bk]	62	min max																		
[bl]	63	min max																		
[bm]	64	min max																		

**GEPS--NPR 2011 Express Mail International - Rates**

Minimum Rates: EMI Discount: [REDACTED]  
 Maximum Rates: EMI Discount: [REDACTED]

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
[bn]	65	min max	[REDACTED]																
[bo]	66	min max																	
[bp]	67	min max																	
[bq]	68	min max																	
[br]	69	min max																	
[bs]	70	min max																	





**GEPS--NPR 2011 Priority Mail International - Rates**

Minimum Rates: PMI Discount: 28%

Maximum Rates: PMI Discount: 5%

	[T]	[U]	[V]	[W]	[X]	[Y]	[Z]	[AA]	[AB]	[AC]	[AD]	[AE]	[AF]	[AG]	[AH]	[AI]	[AJ]	[AK]	[AL]	
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17	
[ar]	44	min max																		
[as]	45	min max																		
[at]	46	min max																		
[au]	47	min max																		
[av]	48	min max																		
[aw]	49	min max																		
[ax]	50	min max																		
[ay]	51	min max																		
[az]	52	min max																		
[ba]	53	min max																		
[bb]	54	min max																		
[bc]	55	min max																		
[bd]	56	min max																		
[be]	57	min max																		
[bf]	58	min max																		
[bg]	59	min max																		
[bh]	60	min max																		
[bi]	61	min max																		
[bj]	62	min max																		
[bk]	63	min max																		
[bl]	64	min max																		
[bm]	65	min max																		

**GEPS--NPR 2011 Priority Mail International - Rates**

Minimum Rates: PMI Discount: [REDACTED]  
 Maximum Rates: PMI Discount: [REDACTED]

	[T]	[U]	[V]	[W]	[X]	[Y]	[Z]	[AA]	[AB]	[AC]	[AD]	[AE]	[AF]	[AG]	[AH]	[AI]	[AJ]	[AK]	[AL]
	Weight Not Over (lb)	Range	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
[bn]	66	min max	[REDACTED]																
[bo]	67	min max																	
[bp]	68	min max																	
[bq]	69	min max																	
[br]	70	min max																	

## Attachment C

### **Certification As To The Prices For Applicable Negotiated Service Agreements Under Global Expedited Package Services—Non-published Rates**

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices that establish the price floor and the price ceiling for negotiated service agreements under the Global Expedited Package Services—Non-published Rates product grouping established by Governors' Decision 10-2. I am also familiar with the methodology described in Attachment A for determining the prices for customer-specific agreements.

I hereby certify that the prices in Attachment B are determined in a manner that satisfies applicable pricing criteria, using appropriate and accurate data. If the Postal Service were to enter into agreements and offer services that set prices at or above the price floors using the methodology described in Attachment A, the Postal Service would be in compliance with 39 U.S. C. § 3633(a)(1), (2) and (3). The minimum prices that establish the price floor and the methodology for determining the rates for individual customers provide that the agreements under Global Expedited Package Services—Non-published Rates should cover the product grouping's attributable costs, based on a distribution of historical customer volumes, and preclude the subsidization of competitive products by market dominant products. Even if all the agreements under Global Expedited Package Services—Non-published Rates were assigned prices at the price floor for the corresponding downstream access options, the prices and methodology used should prevent the product group from impairing the ability of competitive products on the whole to cover an appropriate share of institutional costs.

  
\_\_\_\_\_  
Joseph Moeller

**CERTIFICATION OF GOVERNORS' VOTE  
IN THE  
GOVERNORS' DECISION NO. 10-7**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-7, 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: 12-14-2010

**GLOBAL CUSTOMIZED MAIL AGREEMENT BETWEEN  
THE UNITED STATES POSTAL SERVICE AND  
COMPANY NAME**

This Agreement (“Agreement”) is between Company Name (“Mailer”), with offices at Street, City, ST 00000-0000, and the United States Postal Service (“USPS”), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L’Enfant Plaza SW, Washington, DC 20260-9998. The Mailer and the USPS may be referred to individually as a “Party” and together as the “Parties.”

**INTRODUCTION**

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the USPS will provide certain products and/or services to the Mailer pursuant to the terms and conditions contained herein;

WHEREAS, the Parties desire to be bound by the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

**ARTICLE 1. PURPOSE OF THE AGREEMENT**

This Agreement shall govern the use the Mailer may make of customized mail service for Express Mail International and Priority Mail International.

**ARTICLE 2. CHOICE OF PAYMENT METHOD**

By initialing one of the following two options, the Mailer hereby selects a postage payment method. This Agreement is not valid unless either Option A or B is chosen.

\_\_\_\_\_ **Option A** Postage Payment through a PC Postage Provider

The Mailer shall pay postage to the USPS through the intermediary of a USPS-approved PC Postage Provider that the USPS has authorized to offer services to contract rate customers. The Mailer agrees to use only one USPS-approved PC Postage Provider at a time. The Mailer retains the right to change from one PC Postage Provider to another provided that the new PC Postage Provider has been authorized by the USPS to offer services to contract rate customers.

Initially, the Mailer chooses Endicia.com / Stamps.com as its USPS-approved PC Postage Provider.

\_\_\_\_\_ **Option B** Postage Payment through a Permit Imprint

The Mailer shall pay postage to the USPS through the use of a permit imprint subject to the conditions stated in IMM 152.4 and DMM 604.5.

**ARTICLE 3. DEFINITIONS**

As used in this Agreement:

1. “IMM” means the *International Mail Manual* as found on the USPS website [pe.usps.com](http://pe.usps.com) on the date of mailing.
2. “DMM” means the *Domestic Mail Manual* as found on the USPS website [pe.usps.com](http://pe.usps.com) on the date of mailing.

3. “Effective Date” means the first date on which the USPS is willing to accept Qualifying Mail.
4. “PC Postage Provider” means a provider of software-based management of postage accounts, authorized by the USPS to offer services to contract rate customers.
5. “Qualifying Mail” means mail that meets the requirements set forth in Article 4 of this Agreement.
6. “Non-Qualifying Mail” means mail that does not meet the requirements set forth in Article 4 of this Agreement. Express Mail International and Priority Mail International tendered to the USPS at a Business Mail Entry Unit, at a USPS retail window, or at any commercial mail receiving agency are Non-Qualifying Mail under Option A above.

#### **ARTICLE 4. QUALIFYING MAIL**

Only mail that meets the requirements set forth in IMM 220 for Express Mail International and in IMM 230 for Priority Mail International shall be considered as Qualifying Mail, except as those requirements conflict with the applicable specific preparation requirements set forth in Article 6.

#### **ARTICLE 5. TREATMENT OF NON-QUALIFYING MAIL**

1. Under Option A and under Option B above, the USPS, at its option and without forfeiting any of its rights under this Agreement, may refuse to accept Non-Qualifying Mail or may accept Non-Qualifying Mail at the applicable published prices.
2. Under Option A above, the USPS may accept Non-Qualifying Mail at the applicable published prices and impose a penalty upon the Mailer.

#### **ARTICLE 6. SPECIFIC PREPARATION REQUIREMENTS**

1. Under Option A above, mailings processed using software provided by a USPS-approved PC Postage Provider that the USPS has authorized to offer services to contract rate customers, must be accompanied by a PS Form 3152 Confirmation Services Certification, or a PS Form 5630 Shipment Confirmation Acceptance Notice, or an equivalent form produced by the PC Postage Provider’s software.
2. Under Option B above:
  - a. Mailings of Qualifying Mail must be kept separate from any other type of mail the Mailer tenders.
  - b. International mailings must be separated from domestic mailings.
  - c. Mailings processed using Global Shipping Software (GSS), or a USPS-approved functionally equivalent software, must:
    - i. Be accompanied by a postage manifest;
    - ii. Be paid for through the use of a Permit Imprint.

## **ARTICLE 7. OBLIGATIONS OF THE USPS**

The USPS hereby agrees:

1. Transportation To arrange with carriers to transport Qualifying Mail to international destinations where the proper authority will effect delivery.
2. Undeliverable Items To return:
  - a. Express Mail International items refused by an addressee or that are undeliverable, to the Mailer via Express Mail at no charge.
  - b. Priority Mail International items refused by an addressee or that are undeliverable, to the Mailer according to the provisions of IMM 771.
3. Postage To provide prices for Qualifying Mail paid for and tendered as required by this Agreement.
4. Pickup To provide pickup service for Qualifying Mail according to the applicable local agreement, if any, as amended from time to time.
5. Confidentiality To seek non-public treatment of information it determines to be eligible for protection from public disclosure under applicable law and practice when it files the Agreement with the Postal Regulatory Commission, or when it files information (including data) in connection with the Agreement in accordance with other regulatory requirements.
6. Penalties for Non-Qualifying Mail under Option A To provide the Mailer with an invoice for any penalties imposed as a result of the improper tender of mail.
7. Technical Assistance under Option B To provide the Mailer with technical assistance necessary to prepare information linkages, electronic data files, and data exchanges as required for the proper functioning of USPS-provided Global Shipping Software (GSS).

## **ARTICLE 8. OBLIGATIONS OF THE MAILER – GENERAL**

The Mailer hereby agrees:

1. Postage To pay postage for Qualifying Mail according to the price charts in Annex 1, with the exception that postage for flat rate priced items identified in United States Postal Service Price List (Notice 123) shall be paid according to the price charts in that notice.
2. Customs and Export Documentation To provide any necessary documentation, including data provided in electronic format, in connection with each mailing, in the form and at the time specified by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other authority. The Mailer further understands that the failure to provide any such required documentation may result in refusal at acceptance, delay in processing, involuntary seizure by customs authorities, and/or return of mail to the sender.
3. Customs and Export Requirements To comply with any regulation or order promulgated by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other governmental unit with jurisdiction over mail, to facilitate the

Customs processing of its mail, according to any requirements specified by those authorities.

4. Confidentiality To treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the Postal Regulatory Commission.

#### **ARTICLE 9. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION A**

The Mailer, having chosen Option A above, hereby agrees:

1. Advance Notification To provide the Manager, Customized Mail, USPS, via e-mail to [icmusps@usps.gov](mailto:icmusps@usps.gov) with notification of the Mailer's intent to change PC Postage Providers and the name of the new PC Postage Provider the Mailer intends to use at least twenty (20) days in advance of the anticipated change from one PC Postage Provider to another.
2. Tender To present the mailings to the USPS using any means of tender the USPS authorizes for items for which postage payment is through a PC Postage Provider, with the exception of the following means of tender: tender at a USPS retail window, or a commercial mail receiving agency.
3. Software To apply address labels and Customs declarations to Qualifying Mail using the software provided by the USPS-approved PC Postage Provider which the Mailer has identified as its chosen postage payment intermediary.
4. Postage Due To pay any postage due to the USPS as a result of discrepancies between the actual PC postage applied to the mailings and the postage required under this Agreement.
5. Penalty for the Improper Tender of Mail To pay:
  - a. Any penalty the USPS may assess under the terms of Article 32 for the improper tender of mail provided that the USPS has provided the Mailer with notice of the number of pieces of Non-qualifying Mail and an invoice for the total dollar amount of the penalty due;
  - b. The amount of the assessed penalties within thirty (30) days of the date of the invoice. All invoices that are not paid within thirty (30) days will incur an annual late payment penalty (finance charge) of [REDACTED] of the total assessed penalty, to be compounded monthly. Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the USPS reserves the right to pursue other available remedies.

#### **ARTICLE 10. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION B**

The Mailer, having chosen Option B above, hereby agrees:

1. Advance Notification To provide:
  - a. The Manager, Customized Mail, USPS, via e-mail to [icmusps@usps.gov](mailto:icmusps@usps.gov), with notification of new permit numbers used for Qualifying Mail one week in advance of using the new permit numbers. The message should include the permit number, the city, state, and ZIP Code where the permit is held, the name of the permit owner, and the requested implementation date.

- b. The appropriate USPS acceptance site(s) with notice of intent to mail.
2. Tender To present the mailings at a Business Mail Entry Unit (BMEU) approved by the USPS to receive Qualifying Mail in accordance with the scheduling procedures in place at the appropriate acceptance site(s).
3. Software To apply address labels and Customs declaration to Qualifying Mail:
  - a. Using USPS-provided Global Shipping Software (GSS) or a USPS-approved functional equivalent of that software.
  - b. In the event that the Mailer decides to use a functional equivalent to the USPS-provided Global Shipping Software (GSS) not approved by the USPS, the Mailer must seek the approval of the USPS prior to deploying such software. Such approval shall be in the sole and unreviewable discretion of the USPS but shall not be unreasonably withheld.
4. Information Link To establish the necessary linkages with the USPS so that:
  - a. The Mailer and the USPS can exchange data transmissions concerning the Mailer's packages;
  - b. The USPS can, at the Mailer's request, extract information by scanning the Mailer-provided barcode on each package.
5. Data Transmission To exchange electronic information with the USPS according to the instructions the USPS provides.

#### **ARTICLE 11. MINIMUM COMMITMENT**

1. The Mailer is required to meet an annualized minimum commitment of XXXXX thousand dollars (\$X00,000) in postage paid for Qualifying Mail. The postage commitment is for postage after all discounts have been applied.
2. In the event that the Mailer does not meet its minimum commitment as set forth in Paragraph 1 of this Article, the Mailer agrees to pay the USPS up to [REDACTED] of the shortfall between the actual postage paid to the USPS and the postage commitment in Paragraph 1 of this Article. The actual amount to be determined by the USPS.
3. The USPS will provide the Mailer with an invoice for any postage due for the failure to meet the minimum commitment stated in Paragraph 1. All amounts due are to be paid within thirty (30) days of the date of the invoice. Any invoice that is not paid within thirty (30) days will incur an annual late payment penalty (finance charge) of [REDACTED] of the total assessed penalty, to be compounded monthly. Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the USPS reserves the right to pursue other available remedies.

#### **ARTICLE 12. TERM OF THE AGREEMENT**

The USPS will notify the Mailer of the Effective Date of the Agreement as soon as possible, but no later than thirty (30) days, after receiving the signed Agreement from the Mailer. The Agreement shall remain in effect for one calendar year from the Effective Date unless terminated sooner pursuant to Article 13.

## **ARTICLE 13. TERMINATION OF THE AGREEMENT**

1. Either Party to this Agreement, in its sole discretion, may terminate the Agreement for any reason, without cost, fault, or penalty, except as provided for in paragraph 2 below, regardless of whether either Party is in default, upon a thirty (30) day written notification, unless a time frame longer than thirty (30) days that falls within the term of the Agreement is indicated by the terminating Party.
2. In the event that this Agreement is terminated for any reason before the termination date provided for in Article 12, any penalties arising under Articles 9, 32, and 33, or any one of them, shall be enforceable, and the minimum commitment in Article 11 shall be enforceable but shall be calculated on a *pro rata* basis to reflect the actual duration of the Agreement.

## **ARTICLE 14. POSTAGE UPDATES**

1. In the event that the USPS incurs an increase in costs in excess of [REDACTED] [REDACTED] associated with providing this service, the USPS shall notify the Mailer and modify the prices established under this Agreement. The increase in prices shall be the same as the increase in costs.
2. The prices in Annex 1 are related to the non-discounted published postage for Express Mail International and Priority Mail International. In the event that the non-discounted published postage for these services should change, the prices in Annex 1 will also change. Such increases to the prices in Annex 1 shall be calculated using the same assumptions and constraints used to determine the prices in the existing Annex 1.
3. The USPS will give the Mailer thirty (30) days notice of changes to the prices in Annex 1.
4. Any revision of prices in Annex 1 shall not be retroactive.
5. No price shall increase beyond the non-discounted published price for the affected service.

## **ARTICLE 15. NO SERVICE GUARANTEE**

Nothing in this Agreement shall be construed as a representation or guarantee by the USPS that Qualifying Mail will be delivered to the appropriate addresses within any particular time.

## **ARTICLE 16. CUSTOMS DUTIES AND TAXES**

Customs duties, taxes, and/or fees for packages mailed under this Agreement are the responsibility of the addressee.

## **ARTICLE 17. MODIFICATION OF THE AGREEMENT**

1. Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement, with the exception of changes to prices under the terms of Article 14, shall be binding only if placed in writing and signed by each Party.

2. Modifications may be contingent upon any and all necessary approvals by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission and/or any other governmental body with oversight responsibility for the USPS.
3. If such approvals are required, the modifications will not become effective until such time as all necessary approvals are obtained.
4. The USPS will notify the Mailer of the date the modification becomes effective within thirty (30) days after receiving the approval of the entities that have oversight responsibility for the USPS.
5. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.
6. Any changes to or modification of the local agreement referred to in Article 7, Paragraph 4 are not subject to the provisions of this Article.

#### **ARTICLE 18. ENTIRE AGREEMENT AND SURVIVAL**

This Agreement, including all Annexes thereto and any corresponding written local pickup agreement, shall constitute the entire agreement between the Parties and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either Party except to the extent incorporated in this Agreement. The provisions of Article 7, Paragraph 5; Article 8, Paragraph 4; and Article 20 shall expire ten (10) years from the date of termination or expiration of this Agreement.

#### **ARTICLE 19. FORCE MAJEURE**

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages; governmental laws, ordinances, rules and regulations, whether valid or invalid; court orders whether valid or invalid; inability to obtain material, equipment or transportation; and any other similar or different contingency.

#### **ARTICLE 20. CONFIDENTIALITY**

The Mailer acknowledges that this Agreement and supporting documentation will be filed with the Postal Regulatory Commission ("Commission") in a docketed proceeding. The Mailer authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding in which information related to this Agreement must be filed. The Mailer further understands that any unredacted portion of the Agreement or supporting information will be available on the Commission's public website, [www.prc.gov](http://www.prc.gov). In addition, the USPS may be required to file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets. The Mailer has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the PRC for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission's website: [www.prc.gov/Docs/63/63467/Order225.pdf](http://www.prc.gov/Docs/63/63467/Order225.pdf). The docket number in which this Agreement will be filed is CP2011-45.

## **ARTICLE 21. EFFECT OF PARTIAL INVALIDITY**

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the Parties agree that the remaining provisions shall be deemed to be in full force and effect.

## **Article 22. LIMITATION OF LIABILITY: INSURANCE**

1. Except as noted in Paragraphs 2 and 3 of this Article, the liability of the USPS under this Agreement shall be limited to the refund of postage for Qualifying Mail that is lost or destroyed in bulk after being tendered to the USPS and prior to being received by the delivery authority outside of the United States. The USPS shall not be liable for any actual or consequential damages suffered by the Mailer as a result of late delivery or non-delivery of any Qualifying Mail. Qualifying Mail mailed under this Agreement is not insured against delay in delivery. Neither indemnity payments nor postage refunds will be made in the event of delay.
2. Express Mail International items that are tendered to the USPS under the terms of this Agreement include document reconstruction insurance for non-negotiable documents up to one hundred dollars (\$100.00), and merchandise insurance up to one hundred dollars (\$100.00), at no additional charge. Insurance is provided against loss, damage, or missing contents. Optional additional merchandise insurance over one hundred dollars (\$100.00) may be purchased for an additional fee, subject to the maximum indemnity available to the country of destination. Express Mail International items that are tendered to the USPS under the terms of this Agreement are not insured against delay in delivery. Indemnity is payable in accordance with IMM 222.71 and IMM 935; and DMM 609 and DMM 503.
3. Priority Mail International items, with the exception of Priority Mail International Small Flat Rate Boxes and Priority Mail International Flat Rate Envelopes, that are tendered to the USPS under the terms of this Agreement include indemnity coverage against loss, missing contents, or damage at no additional charge. Indemnity is limited to the lesser of the actual value of the contents or the maximum indemnity based on the weight of the item. Indemnity for Priority Mail International items that are tendered to the USPS under the terms of this Agreement does not cover losses due to delays in delivery. Indemnity will be paid in accordance with IMM 230 and IMM 933.
4. For a separate fee, Priority Mail International parcels may be insured against loss, missing contents, or damage. Coverage is based on the actual value of the article at the time of mailing and is limited to the amount of insurance purchased by the fee paid. Insured mail is not available to all countries and is subject to the maximum insurance limits of the destination country. If insured mail service is purchased, it replaces the ordinary parcel indemnity specified in Paragraph 3. Insurance claims will be paid in accordance with IMM 320, IMM 932, and IMM 933.
5. The USPS bears no responsibility for the refund of postage in connection with actions taken by Customs authorities.

### **ARTICLE 23. INDEMNITY**

The Mailer shall indemnify and save harmless the USPS and its officers, agents, and employees from any and all claims, losses, costs, damages, or expenses ("Claims") growing out of or connected in any other way with the discharge by the Mailer or its agents(s) of any undertaking contained in this Agreement, except for Claims arising out of the negligence or willful misconduct of the USPS or of its officers, agents, or employees. Notwithstanding its obligation to indemnify the USPS, the Mailer shall not be liable for any consequential damages suffered by the USPS.

### **ARTICLE 24. GOVERNING LAW**

This Agreement shall be governed by, construed, and enforced in accordance with United States federal law.

### **ARTICLE 25. SUSPENSIONS OF MAIL SERVICE**

In the event that a suspension of either Express Mail International or Priority Mail International service from the United States to a country would prevent delivery of Qualifying Mail to addressees in that country, the Mailer shall not tender Express Mail International or Priority Mail International, as appropriate, to the USPS until service is restored. The annualized minimum commitment for Qualifying Mail set forth in Article 8 shall be recalculated *pro rata* to reflect the reduction in available service time.

### **ARTICLE 26. ASSIGNMENT**

The rights of each Party under this Agreement are personal to that Party and may not be assigned or transferred to any other person, firm, corporation, or other entity without the prior, express, and written consent of the other Party.

### **ARTICLE 27. NO WAIVER**

The failure of either Party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but these shall continue and remain in full force and effect as if such forbearance or waiver had not occurred.

### **ARTICLE 28. PARAGRAPH HEADINGS AND REFERENCE CITATIONS**

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement. All citations to provisions in the DMM and IMM within this Agreement are intended to refer to the substantive information found within the cited section(s) at the time this Agreement was drafted. Subsequent changes to the citations or the relevant substantive information due to published revisions of the DMM or IMM shall be applicable to this Agreement upon the effective date of such revisions.

### **ARTICLE 29. MAILABILITY AND IMPORTABILITY**

All items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in IMM 130 and conform to the importation restrictions of the destination countries. The Mailer is solely responsible for the importation status of the products mailed under this Agreement as detailed in IMM 112.

### **ARTICLE 30. NOTICES**

All notices or demands to the Parties required by this Agreement shall be sufficient if delivered personally or mailed via Express Mail to the following individuals:

**To the USPS:**

Managing Director, Global Business and Vice President  
United States Postal Service  
475 L'Enfant Plaza SW Room 1P830  
Washington, DC 20260-0830

**To the Mailer:**

Name  
Title  
Company Name  
Street  
City, ST 12345-6789

or via e-mail:

**To the United States Postal Service** at: [icmusps@usps.gov](mailto:icmusps@usps.gov)

**To the Mailer** at: name@XXXXX.com

### **ARTICLE 31. COUNTERPARTS**

The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format), not all Parties need be signatories to the same documents, and all counterparty-signed documents shall be deemed an original and one instrument.

### **ADDITIONAL ARTICLES WHICH APPLY UNDER OPTION A ABOVE**

### **ARTICLE 32. PENALTY FOR THE IMPROPER TENDER OF MAIL**

The penalty for the improper tender of mail under Option A shall be [REDACTED]

### **ARTICLE 33. FRAUD**

Under Option A above, the Mailer understands that providing false information with the intent to access discounted rates through the use of a PC Postage Provider may subject the Mailer to criminal and/or civil penalties, including fines and imprisonment.

---

In witness whereof, each Party to this Agreement has caused it to be executed on the latter of the two dates accompanying the Parties' signatures.

**ON BEHALF OF THE UNITED STATES POSTAL SERVICE:**

Signature: \_\_\_\_\_  
Name: Frank A. Cebello  
Title: Executive Director, Global Business Management  
Date: \_\_\_\_\_

**ON BEHALF OF COMPANY NAME:**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Annex 1      PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY  
MAIL INTERNATIONAL

**ANNEX 1  
PRICES FOR EXPRESS MAIL INTERNATIONAL**

**RATE GROUPS 1 – 9**

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9
0.5									
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									
34									
35									

nw 1 / 11 10

**ANNEX 1  
 PRICES FOR EXPRESS MAIL INTERNATIONAL**

**RATE GROUPS 1 – 9**

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9
36									
37									
38									
39									
40									
41									
42									
43									
44									
45									
46									
47									
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58									
59									
60									
61									
62									
63									
64									
65									
66									
67									
68									
69									
70									

nw 1 / 11 10

**Confidential**

USPS / Company Name; XX/2011

Annex 1 Page 2 of 8

**ANNEX 1  
PRICES FOR EXPRESS MAIL INTERNATIONAL**

**RATE GROUPS 10 – 17**

Weight Not Over (LBS)	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
0.5								
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								

nw 1 / 11 10

**ANNEX 1  
 PRICES FOR EXPRESS MAIL INTERNATIONAL**

**RATE GROUPS 10 – 17**

Weight Not Over (LBS)	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
36								
37								
38								
39								
40								
41								
42								
43								
44								
45								
46								
47								
48								
49								
50								
51								
52								
53								
54								
55								
56								
57								
58								
59								
60								
61								
62								
63								
64								
65								
66								
67								
68								
69								
70								

nw 1 / 11 10

**Confidential**

USPS / Company Name; XX/2011

Annex 1 Page 4 of 8

**ANNEX 1  
PRICES FOR PRIORITY MAIL INTERNATIONAL**

**RATE GROUPS 1 – 9**

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33									
34									
35									

nw 1 / 11 10

**ANNEX 1  
 PRICES FOR PRIORITY MAIL INTERNATIONAL**

**RATE GROUPS 1 – 9**

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9
36									
37									
38									
39									
40									
41									
42									
43									
44									
45									
46									
47									
48									
49									
50									
51									
52									
53									
54									
55									
56									
57									
58									
59									
60									
61									
62									
63									
64									
65									
66									
67									
68									
69									
70									

nw 1 / 11 10

**Confidential**

USPS / Company Name; XX/2011

Annex 1 Page 6 of 8

**ANNEX 1  
 PRICES FOR PRIORITY MAIL INTERNATIONAL**

**RATE GROUPS 10 – 17**

Weight Not Over (LBS)	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								
31								
32								
33								
34								
35								

nw 1 / 11 10

**ANNEX 1  
 PRICES FOR PRIORITY MAIL INTERNATIONAL**

**RATE GROUPS 10 – 17**

Weight Not Over (LBS)	Group 10	Group 11	Group 12	Group 13	Group 14	Group 15	Group 16	Group 17
36								
37								
38								
39								
40								
41								
42								
43								
44								
45								
46								
47								
48								
49								
50								
51								
52								
53								
54								
55								
56								
57								
58								
59								
60								
61								
62								
63								
64								
65								
66								
67								
68								
69								
70								

nw 1 / 11 10

**Confidential**

USPS / Company Name; XX/2011

Annex 1 Page 8 of 8