

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

NOTICE OF MARKET-DOMINANT
PRICE ADJUSTMENT AND CLASSIFICATION
CHANGES RELATED TO MOVE UPDATE
ASSESSMENT

Docket No. R2017-7

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING OF
USPS-LR-R2017-7/NP1**

(June 30, 2017)

The Postal Service hereby gives notice of filing of the material indicated below in the **Non-Public Annex** in this proceeding:

USPS-LR-R2017-7/NP1

**FIRST-CLASS MAIL INTERNATIONAL
WORKPAPERS (NONPUBLIC)**

This material contains the workpapers that estimate the revenues for First-Class Mail International, which the Postal Service is filing so that the appropriate cap calculation adjustment may be made. The materials include commercially sensitive information, such as outbound/inbound country-specific volume and revenue data, certain non-published rates, and underlying calculations related to price adjustments. The files associated with these calculations are accordingly submitted in the nonpublic annex in this proceeding, which is also consistent with the nonpublic treatment afforded the corresponding files in previous rate adjustment dockets. The Postal Service incorporates by reference the application for non-public treatment, which is included as Attachment 1 with this filing.

Respectfully submitted,

UNITED STATES POSTAL SERVICE By

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June 30, 2017

ATTACHMENT 1

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 covered by this application consist of the contents of USPS-LR-R2017-7/NP1, which includes two Excel files pertaining to First-Class Mail International.

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);

The materials designated as non-public consist of information of a commercial nature that, under good business practice, would not be publicly disclosed. The Postal Service does not believe that any commercial enterprise would voluntarily publish information pertaining to country-specific volume and revenue data, non-published rates, or inbound market dominant contracts for which rates are negotiated with other postal operators. Thus, in the Postal Service's view, 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) and (4).¹ Because the portions of the materials that the Postal Service is filing under seal fall within the scope of information not required to be publicly disclosed, the Postal Service

¹ 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.

requests that the Commission 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 foreign postal operators whose governments are members of the UPU are the only third parties with a proprietary interest in the materials. Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators.² The Postal Service identifies as an appropriate contact person Peter Chandler, Manager, UPU Relations, International Postal Affairs. Mr. Chandler's phone number is (202) 268-5549, and his email address is peter.r.chandler@usps.gov.

The Postal Service provided notice to all foreign postal operators within the Universal Postal Union network through an International Bureau Circular issued on January 23, 2017, that the Postal Service will be regularly submitting certain business information to the Commission. The circular includes information on how third parties may address any confidentiality concerns with the Commission. In addition, contact information for all UPU Designated Operators is available at the following link, which is incorporated by reference into the instant application:

² The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's response might be construed as beyond the scope of this exception, the Postal Service respectfully requests a waiver that would allow it to designate a Postal Service employee as the contact person under these circumstances, in light of the practical considerations outlined herein.

(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 Excel files, which include data underlying the proposed price changes for First-Class Mail International. These materials were filed under seal. The Postal Service maintains that the files should remain confidential. The files contain commercially sensitive information such as country-specific inbound letter post and outbound First-Class Mail International revenue, volume and weight data, and certain non-published rate information used to determine pricing.

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

If the data that the Postal Service determined to be protected from disclosure were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about any non-published pricing 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 rates charged by the Postal Service to foreign postal operators for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service.

The data also include specific information, such as country-specific letter post and First-Class Mail International revenue, volume, and weight data, and non-published rate

³ To the extent required, the Postal Service seeks a waiver from having to provide each foreign postal operator notice of these dockets. It is impractical to communicate with dozens of operators in multiple languages about this matter. Moreover, the volume of filings would overwhelm both the Postal Service and the applicable foreign postal operators with boilerplate notices.

information used to determine pricing. This information is confidential in the business world. Indeed, foreign postal operators (or other potential customers) could use this information to assess the relative weight of their mail flows to or from the United States, thereby giving them an advantage when negotiating the terms of their own agreements with the Postal Service. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that they are very likely to be used in this manner.

The inbound volume and/or weight information included in the inbound Excel file also consists of sensitive commercial information. Disclosure of such information could be used by competitors of a foreign postal operator to assess the operators' underlying market size and its costs, and thereby develop a benchmark for the creation of a competitive alternative.

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

Harm: Public disclosure of information in USPS- LR-R2017-7/NP1 would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: Foreign postal operators see the information on the Commission's website.

The operators could then use this information to their advantage in negotiating the terms of their own agreements with the Postal Service. Alternatively, a competing delivery service obtains a copy of the Excel files from the Postal Regulatory Commission's website. It analyzes the data and then uses this information to set its prices for portions of the letter post market subject to competition.

Harm: Public disclosure of information in USPS- LR-R2017-7/NP1 would be used by a foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the inbound letter post Excel file from the Postal Regulatory Commission's website. The competitor analyzes the data to assess a foreign postal operator's underlying costs and volumes for the corresponding products. The competitor uses that information to assess the market

potential and negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

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

The Postal Service maintains that the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international delivery products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that foreign postal operators, as well as actual or potential customers of a postal operator (for this or similar products) should not be provided access to the non-public Excel worksheets.

(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.

Certain UPU letter post rates are not available publicly. Rather, they are circulated to postal operators and government ministries through UPU International Bureau circulars, and are accessible on a password-protected website. Hence, they are considered by the Postal Service to be commercially sensitive.

Conclusion

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