

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

ANNUAL COMPLIANCE REVIEW, 2017

Docket No. ACR2017

NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING
OF USPS-FY17-NP39 AND APPLICATION FOR NONPUBLIC TREATMENT
(February 6, 2018)

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

USPS-FY17-NP39 Nonpublic Material Provided in Response to ChIR 9, Q.15

As indicated, this material relates to requests for information posed on January 25, 2018, in Chairman's Information Request No. 9. This material consists of types of information (regarding detailed and quantitative strategic discussions of the entire range of Postal Service products and activities, commensurate with materials prepared for the highest level of management) customarily submitted under seal, and accordingly is submitted as part of the nonpublic annex in this proceeding.

More specifically, this material consists of "charters", or detailed descriptions, of each strategic initiative for FY 2017 as well as FY 2018, including targets and results for multiple submeasures for FY 2017, and planned targets for multiple submeasures for FY 2018. These materials reveal details about the Postal Service's competitive products, plus other extremely sensitive business information, including equipment deployment schedules, transportation contract details, information that could potentially have implications for collective bargaining, and information that could potentially have implications for Postal Service vendors and what areas they would be positioned to

provide for the Postal Service in the near future, based on details contained in this documentation. Public release of this information could seriously harm the Postal Service by revealing such details as cost points and specific plans under consideration for marketing and product development, which competitors could use for their own benefit to reduce the Postal Service's market share or to impact Postal Service business. In addition, releasing this wealth of detail about operational initiatives would chill future management decision-making, as postal managers would be forced to operate under the assumption that strategic initiative details would be publicly disseminated.

These strategic initiative charters often include information related to future purchasing plans; with such information, a potential vendor could gain unfair advantage over the Postal Service in contract negotiations by learning of a particular business objective or product target cost point. These charters often include internal performance measures or product development strategies for competitive products; competitors could use this information to damage the postal brand or win business from existing customers. Similarly, the nonpublic response the Postal Service is filing includes information about planned initiatives for competitive products that would give competitors insight into how the agency plans to compete in the marketplace moving forward. Publicly releasing charter information about cyber security targets would put the Postal Service's network at greater threat for a cyber-attack, as hackers would be able to focus their attacks based on information gleaned from the charter(s). And these strategic initiative charters identify predecisional options for achieving cost savings; releasing such information could put the Postal Service at a disadvantage in future

collective bargaining negotiations. The harm of public release of this strategic initiative information is real.

A more detailed example of the type of commercially sensitive information contained in these strategic initiatives charters, and the commercial harm its public release could cause, follows. This confidential information includes target and actual values for per-piece costs, cost coverage (margin), service performance, and customer satisfaction scores for several competitive products and services. Such information would be extremely valuable to the Postal Service's competitors in assessing the strengths and weaknesses of various postal products. Armed with detailed product cost information, competitors would be able to better identify and understand areas where they could adapt their own operations to be more competitive with postal products and better assess how to price and market their own products in such a way as to target the Postal Service's weaknesses and compensate for its strengths in producing and marketing various products. In addition, information contained in strategic initiatives includes planned dates and quantities of equipment and service purchases. The level of detail in these documents would enable potential vendors with whom the Postal Service might negotiate particular contract rates to gain competitive or negotiating advantages that could lead to suppressing potential financial gains from the sale of postal products or the diversion of business away from the Postal Service to competitors. Either of these results would constitute serious commercial harm.

Under the Freedom of Information Act (FOIA), 5 U.S.C. §552, the Postal Service would not release such commercially sensitive business information, as it would not be a "good business practice" to do so. See 39 U.S.C §410(c)(2), in conjunction with 5

U.S.C. §552(b)(3) (FOIA Exemption 3). These materials are also predecisional and deliberative in nature, and therefore qualify for withholding from public release under 5 U.S.C. §552(b)(5) (FOIA Exemption 5).

The high-level business information contained in this documentation is the type of commercially sensitive information that a private entity would guard zealously and never release publicly. If made publicly available, the Postal Service's competitors could use this information to determine the agency's business strategies for its products and services and take steps that would harm the Postal Service in the highly competitive communications marketplace. For all of the reasons stated above, the Postal Service is filing this responsive information to Question 15 nonpublicly, and reiterates that it should not be publicly released.

Finally, attached to the Postal Service's ACR, filed December 29, 2017, was the Application for non-public treatment of the non-public annex, which is hereby incorporated by reference.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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