



May 14, 2019

Hon. Stacy L. Ruble, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Mr. Ruble:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the reports of Revenue, Pieces and Weight (RPW) by rate category and special service for Quarter 2 of Fiscal Year (FY) 2019. Each of these reports consists of two parts:

1. Mailing Services (Market Dominant Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for Quarter 2, Fiscal Year 2019, Compared with the Corresponding Period of Fiscal Year 2018, **Public Report**; and
2. Shipping Services (Competitive Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for Quarter 2, Fiscal Year 2019, Compared with the Corresponding Period of Fiscal Year 2018, **Public Report**.

I have uploaded an electronic copy of the combined Public Report to the Public Periodic Reports folder on the United States Postal Service Secure Large File Transfer Web Application portal (USPS SLFT).

Additionally, I have included with the public version of the RPW reports for Quarter 2 of FY 2019, restricted versions that disaggregate the international and domestic data pertaining to competitive products (**Restricted Report**). The Restricted Report, which I have uploaded to the Non-Public Periodic Reports folder on USPS SLFT, should not be made public. Attachment 1 describes the information in the Restricted Report that has been aggregated in the Public Report, presents the statutory basis for the Postal Service's request for confidentiality, and describes the harm that would result from disclosure. Specifically, the Postal Service believes that the material contained in the Restricted Report that is aggregated in the Public Report consists of information that would not be subject to mandatory disclosure pursuant to the Freedom of Information Act, and Title 39 of the United States Code.

Lastly, the Restricted Report includes an amendment: Other NSA Ancillary Services report codes were added under Ancillary Services in the Market Dominant and Competitive reports. In the Public Report, Other NSA Ancillary Services data are aggregated into Other Domestic Ancillary Services in the Competitive section of the RPW Report. In past reports, Other NSA Ancillary Services were reported under their parent product or appropriate extra service.

If you have any questions, please do not hesitate to contact me.

Best regards,

Kara C. Marcello
Attorney
Pricing and Product Support

cc: Ms. Taylor

ATTACHMENT 1

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

In accordance with 39 C.F.R. § 3007.201, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed under seal with the Commission. The materials consist of the Revenue, Pieces, and Weight (RPW) report for the second quarter of Fiscal Year (FY) 2019, to the extent they concern certain market dominant and competitive products, as required by 39 C.F.R. § 3050.25(c). A public version of this report, which shows virtually all market dominant product information, as well as summary information for affected market dominant and competitive product groupings, is included with this filing as a separate Excel file. A non-public version showing all information for market dominant and competitive product groupings is filed under seal. The correspondence between these two versions is explained in the chart on pages 4-5 below.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.201(b) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory provision(s) supporting the claim, and an explanation justifying application of the provision(s) to the materials.

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. 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

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

materials that the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service 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) A statement of whether the submitter, any person other than the submitter, or both have a proprietary interest in the information contained within the non-public materials, and the identification(s) specified in paragraphs (b)(2)(i) through (iii) of this section (whichever is applicable). For purposes of this paragraph, identification means the name, phone number, and email address of an individual.²

The Postal Service has a proprietary interest in the information contained within the non-public materials. Due to the level of aggregation in RPW reports, the Postal Service believes that no third parties have a proprietary interest in the materials, with one exception. For Quarter 2 of FY 2019, the Canada Post Corporation (CPC) is the only customer associated with the market dominant Inbound International Negotiated Service Agreement Mail category. Because the information for that category

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. 4679, at 16 (reconfirming that the adopted final rules do not alter this long-standing practice); 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.

² Section 3007.201(b) further states the following:

(i) If the submitter has a proprietary interest in the information contained within the materials, identification of an individual designated by the submitter to accept actual notice of a motion related to the non-public materials or notice of the pendency of a subpoena or order requiring production of the materials.

(ii) If any person other than the submitter has a proprietary interest in the information contained within the materials, identification of each person who is known to have a proprietary interest in the information. If such an identification is sensitive or impracticable, an explanation shall be provided along with the identification of an individual designated by the submitter to provide notice to each affected person.

(iii) If both the submitter and any person other than the submitter have a proprietary interest in the information contained within the non-public materials, identification in accordance with both paragraphs (b)(2)(i) and (ii) of this section shall be provided. The submitter may designate the same individual to fulfill the requirements of paragraphs (b)(2)(i) and (ii) of this section.

corresponds to information about CPC's competitive traffic, CPC is the only third party with a proprietary interest in this data. The Postal Service believes that Canada Post may have a proprietary interest in information included in some of the materials submitted. The Postal Service has already informed Canada Post through its bilateral with Canada Post, of the nature and scope of this type of filing and Canada Post's ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Rajeev Venugopal, General Manager, International Relations, Canada Post Corporation, as the appropriate contact on behalf of Canada Post. Mr. Venugopal's telephone number is (613) 734-3000, extension 55941, and his email address is raj.venugopal@canadapost.ca. Canada Post requests that any communications regarding confidential treatment of these data be sent with a courtesy copy to Ewa Kowalski, Director, International Mail Settlement, Canada Post Corporation. Ms. Kowalski's telephone number is (613) 734-6201, and her email address is ewa.kowalski@canadapost.ca.³

The Postal Service designates Nabeel R. Cheema, Chief Counsel, to accept actual notice of a motion related to the non-public material or notice of the pendency of a subpoena or order requiring production of the materials. Mr. Cheema's email address is Nabeel.R.Cheema@usps.gov, and his telephone number is 202-268-2989.

³ In the event of a preliminary determination of non-public status under 39 C.F.R. § 3007.103, or a request for access to non-public materials under 39 C.F.R. § 3007.301, or a motion for disclosure of nonpublic materials under 39 C.F.R. § 3007.400, or a request for disclosure of materials for which non-public treatment has expired under 39 C.F.R. § 3007.401, the Postal Service notes, on Canada Post's behalf that differences in the official observation of national holidays might adversely and unduly affect Canada Post's ability to avail itself of the times allowed for response under the Commission's rules. In such cases, Canada Post has requested that the Postal Service convey its preemptive request that the Commission account for such holidays when accepting submissions on matters that affect Canada Post's interests. A listing of Canada's official holidays can be found at: https://www.canadapost.ca/web/en/kb/details.page?article=find_out_operating_h&cattype=kb&cat=sending&subcat=generalinformation.

(3) A description of the information contained within the materials claimed to be non-public in a manner that, without revealing the information at issue, would allow the Commission to thoroughly evaluate the basis for the claim that the information contained within the materials are non-public.

In connection with this application, the Postal Service has filed the RPW report for the second quarter of FY 2019. A version showing all information for market dominant and competitive products is filed under seal, with a version showing information for virtually all market dominant products, with one exception, and summary information for certain affected market dominant and competitive product groupings filed publicly. The Postal Service maintains that the non-public portions of these materials should remain confidential.

Revenue, volume, and weight data for certain market dominant and competitive product categories are commercially sensitive at the disaggregated level shown in the version of the instant report filed under seal. In the interest of transparency, and consistent with past practice for such reports, the Postal Service has merged each sensitive line of data with the next-highest level of aggregation. The affected lines of data are outlined in the chart below:

Category in Public Version	Categories Rolled in from Non-Public Version
Inbound Intl. Letter-Post Single-Piece & NSA Mail	Inbound International Letter Post Inbound Intl. Negotiated Serv. Agreement Mail
Total Express Mail	Domestic Priority Mail Express Domestic Priority Mail Express Neg. Serv. Agreements
Total First Class Package Service	First-Class Package Service – Commercial First-Class Package Service – Retail First-Class Package Service NSA First-Class Package Service Mail Fees
Total USPS Retail Ground	USPS Retail Ground Mail USPS Retail Ground Mail Fees
Total Priority Mail	Domestic Priority Mail – Commercial Domestic Priority Mail - Retail

	Domestic Priority Mail Neg. Serv. Agreements Priority Mail Fees Priority Mail Neg. Serv. Agreement Mail Fees
Total Parcel Select Mail	Parcel Select Parcel Select Lightweight Parcel Select Negotiated Serv. Agreement Mail Parcel Select Mail Fees Parcel Select Neg. Serv. Agreement Mail Fees
Total Parcel Return Service Mail	Parcel Return Service Mail Parcel Return Serv. NSA Mail
Other Outbound International Mail	Outbound International Priority Airmail (IPA) Outbound International Surface Airlift (ISAL) Outbound Direct Sacks M-Bags First-Class Package International Service Outbound Intl Negotiated Service Agreement Mail
Inbound International	Inbound International Inbound International Negotiated Service Agreement Mail
Other Domestic Ancillary Services (Competitive)	Other Domestic Ancillary Services Other NSA Ancillary Services
Other Domestic Special Services	Greeting Cards and Stationery Shipping and Mailing Supplies Address Management Services Post Office Box Service

(4) Particular identification of the nature and extent of the harm alleged and the likelihood of each harm alleged to result from disclosure.

If the information 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 it quite likely that it would suffer commercial harm. 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 revenue, pieces, and weight information to analyze the Postal Service's possible market strengths and weaknesses and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Disclosure of this information would also undermine the Postal Service's position in negotiating favorable terms with potential customers,

who would be able to ascertain critical information about relevant product trends (e.g., average revenue per piece, average weight per piece). Finally, disclosure would expose certain foreign postal administrations and other customers to the same competitive harms, to the extent that a category is associated with a single customer or a small group of customers. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the material filed non-publicly.

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

Harm: Competitors could use disaggregated product volume, weight, and revenue distribution information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor assesses the lucrativeness of certain services on a per-piece or per-pound basis, or the Postal Service's relative concentration in certain service offerings. The competitor then targets its advertising and sales efforts at actual or potential customers in market segments where the Postal Service appears to have made headway, hindering the Postal Service's ability to reach out effectively to these customers.

This example applies even more strongly for information split between Negotiated Service Agreement (NSA) mail and other mail in the same category, because the competitor would assess the lucrativeness and market strength of the Postal Service's offerings to a small subset of NSA customers and/or foreign postal operators, thereby gaining somewhat more particularized insight into the characteristics

of customers that the Postal Service specifically targets with its own contractual sales efforts.

A more pointed variant on this hypothetical pertains to competitive Inbound International Negotiated Service Agreement Mail. Because the information for the second quarter of FY 2019 in this category is associated with a single foreign postal operator, a competing delivery service provider with access to this information could use it to determine the average per-item and per-pound price offered by the Postal Service to CPC, as well as the average weight of certain competitive items from Canada. The competitor could use that information as a baseline to negotiate with freight companies to develop lower-cost alternatives and entice CPC's volume away from the Postal Service's U.S. delivery network.

Harm: Foreign postal administrations could use disaggregated product volume, weight, and revenue distribution information to undermine the Postal Service's leverage in negotiations.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. A foreign postal administration's employee monitors the filing of this information and passes the information along to its international postal relations functions. The foreign postal administration assesses the Postal Service's average per-item or per-pound revenue for categories about which it is negotiating with the Postal Service, with particular focus on categories known to be included in NSAs with other foreign postal administrations. The foreign postal administration uses the average revenue information as a justification for pricing demands in negotiations, refusing to accept a higher price without steeper concessions

than the Postal Service might otherwise have been able to achieve. The Postal Service's ability to negotiate the best value from the bargain suffers as a result.

Harm: Public disclosure of information in the RPW report would be used by CPC's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the RPW report. The competitor analyzes the report to assess the average weight per-piece for Inbound International Negotiated Service Agreement Mail. The competitor uses that information as a baseline to negotiate with freight companies to develop lower-cost alternatives and entice Canadian shipping customers away from CPC.

(6) The extent of the protection from public disclosure alleged to be necessary.

The Postal Service maintains that the portions of the materials filed non-publicly and relating to competitive products should be withheld from persons involved in competitive decision-making in the relevant markets for competitive delivery products (including 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 these or similar products should not be provided access to the non-public materials.

(7) The length of time for which non-public treatment is alleged to be necessary 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 otherwise provided by the Commission. 39 C.F.R. § 3007.401(a). However, because the Postal Service's relationships with customers often continue beyond ten years, the Postal

Service intends to oppose requests for disclosure of these materials pursuant to 39 C.F.R. § 3007.401(b-c).

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

None.

Conclusion

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