

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

COMPETITIVE PRODUCT PRICES  
INBOUND E-FORMAT LETTER POST

Docket No. CP2019-155

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF  
EFFECTIVE DATE AND SPECIFIC RATES NOT OF GENERAL APPLICABILITY FOR  
INBOUND E-FORMAT LETTER POST,  
AND APPLICATION FOR NON-PUBLIC TREATMENT**  
(October 29, 2019)

The United States Postal Service (Postal Service) hereby gives notice of specific rates not of general applicability for Inbound Letter Post Small Packets and Bulky Letters and for Inbound Registered Service Associated with such Items (collectively referred to herein as “Inbound E-format Letter Post) and notice of July 1, 2020, as the effective date for such rates.<sup>1</sup>

The Postal Regulatory Commission (Commission) previously determined that Inbound E-format Letter Post is appropriately classified as a competitive product, conditioned on favorable review and implementation of new prices.<sup>2</sup> On May 20, 2019, the Postal Service filed in this docket a Notice of a range of rates for Inbound Letter Post Small Packets and Bulky Letters as established by the Decision of the Postal Service Governors dated May 9, 2019 (Governors’ Decision No. 19-2).<sup>3</sup> In Order No. 5152 issued on July 12, 2019, the Commission favorably reviewed that range of rates,

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<sup>1</sup> Under 39 C.F.R. § 3015.5(a), the Postal Service ordinarily must file a notice of a change in a rate not of general applicability at least 15 days before the effective date of the change.

<sup>2</sup> Order No. 4980, Order Conditionally Approving Transfer, Docket No. MC2019-17, January 9, 2019.

<sup>3</sup> Notice of the United States Postal Service of Rates Not of General Applicability for Inbound E-format Letter Post, and Application for Non-Public Treatment, Docket No. CP2019-155, May 20, 2019.

ordering that the range complies with 39 U.S.C. § 3633 and 39 C.F.R. part 3015.<sup>4</sup> The Commission further directed the Postal Service to file notice of the specific per-item and per-kilogram prices at least fifteen days before their planned effective date.<sup>5</sup> In Governors' Decision No. 19-2, the Postal Service Governors authorized management to give notice to the Commission of the specific per-item and per-kilogram prices.

On October 14, 2019, the Postal Service Governors issued Governors' Decision No. 19-5, by which they established July 1, 2020, as the effective date for the rates that they had established in Governors' Decision No. 19-2. Governors' Decision No. 19-5 authorized management to give notice to the Commission of that effective date of July 1, 2020, and also to file notice of any conforming changes concerning the specific prices consistent with the Universal Postal Convention as it shall enter into force on January 1, 2020. In this filing, the Postal Service provides notice of the specific per-item and per-kilogram prices for Inbound E-format Letter Post within the range that the Commission already favorably reviewed; notice of July 1, 2020, as the effective date for such prices; and notice of conforming changes concerning the specific prices consistent with the Universal Postal Convention as it shall enter into force on January 1, 2020.

An Application for Non-public Treatment of the unredacted specific self-declared rates and supporting financial data that are being filed under seal is included with this Notice as Attachment 1.<sup>6</sup> Attachment 2 includes the Postal Service's specific self-declared per-item and per-kilogram prices for Inbound E-format Letter Post; a redacted copy is attached hereto, and an unredacted copy is being filed under seal. Governors'

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<sup>4</sup> Order No. 5152, Order Approving Range of Rates for Inbound Letter Post Small Packets and Bulky Letters and Associated International Registered Mail Service, Docket No. CP2019-155, July 12, 2019.

<sup>5</sup> Id. at 24.

<sup>6</sup> The Postal Service also incorporates by reference the Application for Non-public Treatment that it filed in this docket with its initial Notice on May 20, 2019.

Decision No. 19-5 is included as Attachment 3. A certification pursuant to 39 C.F.R. § 3015.5(c)(2) is included as Attachment 4. Redacted versions of the supporting financial documentation establishing cost coverage also accompany this filing; unredacted copies are being filed under seal.

The Postal Service's specific self-declared rates are within the range of rates that the Commission previously favorably reviewed and conform to the statutory requirements for competitive products under 39 U.S.C. § 3633. The supporting documentation demonstrates that the new rates cover their attributable costs, avoid cross-subsidization of competitive products by market dominant products, and do not impede competitive products' collective ability to cover their "appropriate share" of institutional costs.<sup>7</sup>

#### ***I. Rates Within the Range and UPU Conforming Changes***

As explained in detail in the initial Notice filed on May 20, the current rates for E-format small packets and bulky letters were set through the Universal Postal Union (UPU). In particular, the Universal Postal Convention (UPU Convention) provides the rates for "terminal dues" for the remuneration between UPU member countries' designated postal operators for the delivery of inbound letter post, including E-format items.<sup>8</sup> On August 23, 2018, President Donald J. Trump issued a Presidential Memorandum that expressed concerns over economic distortions that resulted from the UPU terminal dues system.<sup>9</sup> The United States government determined that it would withdraw as a member country of the UPU unless the UPU adopted reforms to the

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<sup>7</sup> As explained below, generally lower terminal dues rates for certain countries below prescribed annual letter post tonnage thresholds bring down the product's cost coverage only by small margins, because of the very small proportion of volume dispatched by these countries as shown in the financial workpapers.

<sup>8</sup> UPU Convention Articles 28-31.

<sup>9</sup> Presidential Memorandum, August 23, 2018.

terminal dues system to address such concerns adequately. To address those issues, the UPU decided to hold only its third-ever Extraordinary Congress in September 2019. Through successful negotiations by the United States of America, led by the Administration and the State Department, the UPU Congress adopted amendments to the Convention<sup>10</sup> that achieved the reforms sought by the Presidential Memorandum, thus allowing the United States to remain a member of the UPU.<sup>11</sup>

Most notably among the amendments to the Convention and Convention Regulations that will enter into force on January 1, 2020, under Convention Article 28bis.6bis and Convention Regulation Article 30-108, as the Postal Service received in excess of 75,000 metric tons of inbound letter post in 2018, the Postal Service will be eligible to notify the UPU International Bureau (IB) by March 1, 2020, of self-declared rates for inbound E-format items that will apply to such items destined for the United States effective July 1, 2020, without transitional revenue caps and subject to certain business rules and exceptions. Under Convention Article 28bis.6quater, UPU designated foreign postal operators will also be eligible to self-declare their own inbound E-format rates to be charged to the Postal Service for U.S.-origin traffic (i.e., for E-format items originating in the United States and destined for their respective countries).

Pursuant to Convention Article 28bis and Convention Regulation Article 30-108, when the Postal Service notifies the UPU IB of its self-declared E-format letter post rates by March 1, 2020 (to take effect on July 1, 2020), it must do so in local currency, i.e., in U.S. dollars (USD). The UPU IB will then convert the rates into Special Drawing

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<sup>10</sup> The amendments to the Convention that will enter into force on January 1, 2020, appear within the Second Additional Protocol to the Universal Postal Convention.

<sup>11</sup> The President personally handed written notice to the UPU Director General at the White House on October 15, 2019, to indicate that the United States would remain a member country of the UPU.

Rights (SDR), using the average monthly exchange rate from a specified time period (August through December 2019). Just as the Postal Service must notify the UPU IB of these self-declared rates in USD, so, too, has the Postal Service today filed its specific self-declared rates in USD. Although the range of rates was filed in SDR, that range was initially calculated using USD prices (for the necessary comparisons to domestic tariff rates), which were then converted to SDR based on a then-recent exchange rate. The specific prices filed today are within the initial range. Although currency exchange rates may continue to fluctuate,<sup>12</sup> the specific prices filed today in USD will be the same as those filed in USD with the UPU IB and also will necessarily remain within the initial range.

The rates and rate structure that will take effect on July 1, 2020, also conform to various other provisions of the Convention and Convention Regulations as they will be in effect as of January 1, 2020. The Postal Service will charge undifferentiated rates for certain low volume flows (as specified in the workpapers), in part as required by the Convention and its Regulations and in part to avoid sampling costs for dispatches from low volume countries. The self-declared E-format item rates will be integrated with the applicable rates for formats P and G to formulate blended rates for low volumes flows. Blended rates combining self-declared rates with Convention-set P and G format rates will apply to Group I countries with flows below 50 tons, and to Group II and III countries for flows below the 50 ton threshold but above the 25 ton threshold. Although exchange rates may fluctuate and the final blended rates in SDR may vary from those estimated

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<sup>12</sup> For consistency with the revised workpapers filed on October 25, 2019, in Docket No. R2020-1, the Postal Service has applied the USD-SDR exchange rate from August 30, 2019, to its current workpapers in this Docket No. CP2019-155.

here, the total blended per-kilogram rate in SDR for such inbound letter post flows will include a component based on the Postal Service's self-declared E-format rates.<sup>13</sup>

In its filing in May, the Postal Service noted that exceptions were being considered as part of the UPU negotiations to provide for generally lower terminal dues rates to be charged for a small proportion of E-format item volume dispatched by some of the world's least developed countries that send letter post mail below certain annual tonnage thresholds (known as UPU "Group IV" countries). Such an exception was, in fact, included for Group IV countries below 100 tons per year as part of the amendments adopted by the UPU Congress.<sup>14</sup> The UPU Congress further created similar exceptions (albeit at much lower thresholds of 25 tons per year) for certain other countries as well (in Groups II and III), and also raised the rates for flows from Group IV exception countries above those predicted in the Postal Service's original filing. As a result, the rates that the Postal Service will self-declare and that will take effect July 1, 2020, will not apply to inbound E-format items originating in the exception countries that are below the applicable thresholds.<sup>15</sup> For those exceptions, the terminal dues rates will be established by operation of the Convention and the Convention Regulations. Nevertheless, given the very small volumes involved, excluding E-format items that originate in those exception countries will not impact the ability of the Postal Service's self-declared rates to correct the economic distortion caused by the current terminal

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<sup>13</sup> The estimated amount of that self-declared E-format rate component is shown on the non-public version of Attachment 2, though it may fluctuate with exchange rates.

<sup>14</sup> E-format rates for Group IV countries with flows below the 100 ton threshold may also be supplemented by internal air conveyance charges, to the extent provided by the Convention and its Regulations. However, the workpapers accompanying this filing have calculated cost coverage conservatively without reliance on the additional air conveyance revenue.

<sup>15</sup> See Convention Articles 28bis.1.1.6, 28bis.1.1.7.

dues system; in addition, as reflected in the workpapers, the impact of this exceptional treatment on the product's cost coverage is minimal.

In Order No. 5152, the Commission also reviewed the rates for Inbound Registered Service Associated with Inbound Letter Post Small Packets and Bulky Letters (which registered rates were not in a range). The registered rates are set by the Convention and its Regulations.<sup>16</sup> In the workpapers accompanying the present filing, the Postal Service has adjusted the registered rates to conform more closely to the Convention and Convention Regulations for this ancillary service. As shown, although these are not self-declared rates, they, too, are in compliance with the requirements of 39 U.S.C. § 3633.

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

The Postal Service maintains that the new specific self-declared rates and supporting financial information should remain confidential. The Postal Service provides its Application for Non-Public Treatment of the materials filed under seal as Attachment 1. As noted, under Article 28bis.6bis of the Universal Postal Convention as it will enter into force on January 1, 2020, the Postal Service will be eligible to notify the UPU IB by March 1, 2020, of its self-declared rates that will take effect on July 1, 2020. Under Convention Article 28bis.6quater, UPU designated foreign postal operators will also be eligible to self-declare E-format rates with respect to the Postal Service (i.e., for E-format items originating in the United States and destined for their respective countries).

Neither the Postal Service nor any foreign postal operator should be permitted to obtain an unfair advantage over the other in establishing their respective self-declared

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<sup>16</sup> See Convention Articles 28.8 & 28.9; Convention Regulations Article 30-104.4.1.

rates and in negotiating, yet public disclosure (at least at this time) of the rates would facilitate exactly that problem. Because the Postal Service does not have access to the rates that foreign postal operators will self-declare and charge the Postal Service pursuant to Convention Articles 28bis.6quater and 28bis.6bis, so, too, would it be improper for the foreign postal operators to have premature access to the Postal Service's self-declared rates. Convention Regulation Article 30-108, after amendments enter into force on January 1, 2020, will provide that both the Postal Service and the corresponding foreign postal operators may notify the UPU IB of their respective inbound self-declared rates by March 1; there are not separate, staged deadlines. In accordance with these new Convention and Convention Regulation provisions, the Postal Service's self-declared rates and the unredacted supporting financial workpapers should remain under seal and be treated as non-public data.

### ***III. Prompt Action Needed***

In Order No. 5152, the Commission directed the Postal Service to file a notice of the specific per-item and per-kilogram prices at least fifteen days before their planned effective date. In this instance, the Postal Service is furnishing its July 2020 rates well in advance of the date on which they must be provided to the UPU International Bureau, in part in order to finalize its benchmark rates for purposes of bilateral rate negotiations. Thus, the Postal Service urges the Commission to complete its review in fifteen days, as that was the Commission's original expectation of the amount of time needed for review; this, in turn, will facilitate the Postal Service's ability to commence bilateral negotiations with other designated operators on rates for E-format items and for ancillary services that also provide revenue related to E-format items.



#### **IV. Conclusion**

The Postal Service has established that these new specific self-declared prices for Inbound E-format Letter Post are in compliance with the requirements of 39 U.S.C. § 3633 and 39 C.F.R. part 3015, and, as applicable, are also within the range that the Commission favorably reviewed in Order No. 5152. Accordingly, the Postal Service respectfully requests that the Commission promptly conclude its review of prices for Inbound Letter Post Small Packets and Bulky Letters and Inbound Registered Service Associated with such Items, which shall transfer to the competitive products list in accordance with Order No. 4980 upon implementation of the prices.

Respectfully submitted,

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October 29, 2019

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

In accordance with 39 C.F.R. § 3007, the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Postal Regulatory Commission (Commission) in this docket. The materials pertain to the establishment of prices not of general applicability for Inbound Letter Post Small Packets and Bulky Letters and for Inbound Registered Service Associated with such Items (collectively referred to herein as “Inbound E-format Letter Post”) established in Governors’ Decision No. 19-2 and presented in accordance with the Universal Postal Convention (as it will enter into force on January 1, 2020<sup>1</sup>) as authorized by Governors’ Decision No. 19-5. The rates and supporting documents establishing compliance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7 are being filed separately under seal with the Commission. Redacted copies of these materials are filed publicly, including redacted versions of supporting financial documentation filed as separate Excel documents.

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

**(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, including third party business information, that, under good business practice, would not be disclosed to the public. The Postal Service does not believe that any commercial enterprise would voluntarily publish, for example, non-public settlement

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<sup>1</sup> See Second Additional Protocol to the Universal Postal Convention.

rates or information pertaining to country-specific volumes, costs, and revenues.

Rather, 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).<sup>2</sup> Because the portions of the

materials that the Postal Service is filing 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 nonpublic 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<sup>3</sup>**

In the case of rates and supporting data such as those at issue here, the Postal Service believes that foreign designated postal operators whose governments are members of the Universal Postal Union (UPU) are the only third parties with a

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

<sup>3</sup> Section 3007.201(b)(2) 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.

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. The Postal Service identifies as an appropriate contact person Peter R. Chandler, Manager UPU Relations, International Postal Affairs, United States Postal Service. Mr. Chandler's phone number is (202) 268-5549, and his email address is [peter.r.chandler@usps.gov](mailto:peter.r.chandler@usps.gov).

The Postal Service provided notice to all foreign postal operators within the UPU network through an International Bureau Circular (UPU IB Circular No. 166) issued on November 19, 2018, 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:

[http://pls.upu.int/pls/ap/addr\\_public.display\\_addr?p\\_language=AN](http://pls.upu.int/pls/ap/addr_public.display_addr?p_language=AN).<sup>4</sup>

**(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;**

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<sup>4</sup> The Postal Service acknowledges that 39 C.F.R. § 3007.201(b)(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. 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.

In connection with its Notice filed in this docket, the Postal Service included its new self-declared rates and supporting documentation in the form of financial workpapers. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the rate chart and related financial information should remain confidential.

The redactions applied to the rate chart and related financial workpapers protect commercially sensitive information (including certain country-specific information), such as rates, volumes, weights, underlying costs and assumptions, pricing formulas, and cost coverage projections; the rates include rates that blend P and G format inbound letter post rates with the new self-declared prices for E-format inbound letter post items effective July 1, 2020.

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

If the portions of the rate chart and related financial workpapers that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about 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 their sales and marketing, negotiating, and reciprocal self-declared rate-setting efforts on those areas, to the detriment of the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, volumes, weights, projections of variables, and cost coverage. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to assess the Postal Service costs and pricing. Thus, competitors would be able to take advantage of the information to offer lower pricing to customers (which can include foreign posts, which are not required to use the Postal Service for delivery of Inbound E-format Letter Post destined to the United States), while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services market. Additionally, foreign postal operators or other potential customers could use costing information to their advantage in negotiating the terms of their own agreements with the Postal Service. Given that the financial workpapers that the Postal Service determined to be protected from disclosure are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Foreign postal operators could also use the Postal Service's self-declared rates in setting their own self-declared rates to charge the Postal Service, thus placing the Postal Service at an unfair competitive disadvantage. This could result from disclosure of the self-declared E-format rates themselves or of the blended rates that incorporate the E-format self-declared rates as a component. The blended rates could be reverse engineered to make approximations of the rates that the Postal Service will establish for E-format items beginning July 1, 2020. Under the new process established for operators to set their rates under the Universal Postal Convention and the Convention

Regulations, operators submit their rates by the same date (i.e., March 1, 2020).

Therefore, if the Postal Service's non-published rates, or reasonable estimates thereof, are obtained by foreign postal operators in advance of this date to set rates, these operators will have a significant, and inequitable, advantage when setting their own rates (inconsistent with the process adopted in the new Convention provisions) or when conducting bilateral negotiations with the Postal Service in advance of the implementation of the new self-declared rate system. This information will materially influence the rates that these operators will apply reciprocally (which they will have discretion to do) to the Postal Service or will negotiate with the Postal Service. In general, when the Postal Service negotiates rates with other operators, it arranges for simultaneous exchange of the first round of rates, in order not to give either side leverage in the negotiation. Thus, advance disclosure of the rate information could adversely affect rates of remuneration paid by the Postal Service, which would harm the financial interests of the Postal Service and its customers, by adversely affecting negotiating positions in fora where rate remuneration is determined or in negotiating any alternative rates through bilateral commercial contracts.

Potential customers (which can include foreign posts) could also deduce from the rates provided in the workpapers whether additional margin for net profit exists. From this information, each foreign postal operator or customer could attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised.

Volume and price information included in the non-public materials also consist of sensitive commercial information of foreign postal operators. Disclosure of such

information could be used by competitors of a postal operator to assess the operator's underlying market size and its costs, and thereby develop a benchmark for the development of a competitive alternative.

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

Harm: Public disclosure of information the Postal Service's self-declared rates would be used by foreign postal operators to the detriment of the Postal Service.

Hypothetical: Foreign postal operators could use the Postal Service's self-declared rates in setting their own self-declared rates to charge the Postal Service, thus placing the Postal Service at an unfair competitive disadvantage. Additionally, blended rates using all format prices, including rates for P and G format inbound letter post items and new self-declared prices for E-format inbound letter post items in effect from July onward, could be reverse engineered by foreign postal operators to determine approximations of the self-declared rates that the Postal Service will establish for E-format items beginning July 1, 2020. Having such estimates of the rates the Postal Service intends to establish for E-format items will give foreign postal operators undue leverage when setting their own rates for letter post items next year and influence what these operators will apply reciprocally (which they will have discretion to do) to the Postal Service or will negotiate bilaterally. For instance, depending upon how foreign operators perceive the Postal Service's potential rate, they may decide to adjust their rate (presumably upward if they view their intended rate as lower in relation to the Postal Service's rate) or adjust their item rates in relation to their kilogram rates. Generally, disclosure of this information could adversely affect rates of remuneration, which would harm the financial interests of the Postal Service and its negotiating positions in fora where rate remuneration is determined or in negotiating any alternative



rates through bilateral commercial contracts. Foreign postal operators could also use the rate information to determine if remail opportunities exist in particular markets, which could result in revenue loss for the Postal Service in the event of undetected rate arbitrage practices.

Harm: Public disclosure of information in the rate chart or financial workpapers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the rate chart and financial workpapers from the Commission's website. It analyzes the data to determine what the Postal Service would have to charge its customers (which may include foreign posts) in order for the Postal Service to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The competing package delivery service then sets its own rates for products similar to what the Postal Service offers other posts under that threshold and markets its ability to guarantee to beat the Postal Service on price for Inbound E-format Letter Post. 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 Inbound E-format Letter Post market.

Harm: Foreign postal operators could use the information in the financials to undermine the Postal Service's position in negotiations concerning bilateral remuneration.

Hypothetical: Disaggregated revenues, volumes, and weights are disclosed to the public. Foreign postal operators obtain the information and use it to their advantage in negotiating bilateral remuneration with the Postal Service, including in an effort to lower the rates charged for delivery of Inbound E-format Letter Post in the United States. The

disequilibrium in negotiating positions would be caused by the fact that the Postal Service's rates would be known in advance, thereby depriving the Postal Service of the ability to engage in simultaneous exchange of rates in bilateral negotiations.

Harm: Public disclosure of information regarding the competitive domestic and international products would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the non-public materials exposing rates, revenues, volumes, and weights from the Commission's website. It analyzes the data to determine what products and rates to offer in the competitive domestic and international markets in competition with the Postal Service, using data that would not ordinarily be available to competitors.

Customers and potential customers could also use the data to negotiate better terms for themselves in contracts with the Postal Service or its competitors.

Harm: Public disclosure of the financial workpaper information would provide a market advantage to competitors.

Hypothetical: A competing international delivery service obtains a copy of the workpapers from the Commission's website. The competitor uses the information in the rates to assess service performance to any extent that it is tied to the terminal dues that may be charged pursuant to the Universal Postal Convention, and thereby could attempt to advertise and market its services to foreign postal operators on that basis.

Harm: Public disclosure of information in the rate chart or financial workpapers would be used by a foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Commission's website. The

competitor analyzes the workpapers 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 redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for Inbound E-format Letter Post delivery (including both private sector carriers and 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 rates and financial workpapers.

**(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 otherwise provided by the Commission. 39 C.F.R. § 3007.401(a). However, because the Postal Service's relationships with customers and foreign postal operators continue well 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 factors or reasons relevant to support the application.**

Rates for the delivery of competitive inbound packages are not available publicly. Rather, they are considered by postal operators to be commercially sensitive.

**Conclusion**

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

**Attachment 2 to U.S. Postal Service Notice Dated October 29, 2019**

**(PRC Docket No. CP2019-155)**

**Inbound Letter Post Small Packets and Bulky Letters Effective July 1, 2020<sup>1</sup>**

**Rates Not of General Applicability for Mail Classification Schedule § 2340.6**

	<b>Per Piece in USD</b>	<b>Per Kilogram in USD</b>
<b>Inbound Letter Post Small Packets and Bulky Letters, unless exception applies<sup>2</sup></b>	\$ [REDACTED]	\$ [REDACTED]

**Inbound Competitive International Registered Mail Service Associated with  
Inbound Letter Post Small Packets and Bulky Letters**

**Rates Not of General Applicability for Mail Classification Schedule § 2615.2.2**

**(Rates as set by the Universal Postal Convention and Convention Regulations)<sup>3</sup>**

<sup>1</sup> Pursuant to Universal Postal Convention Article 28bis and Convention Regulation 30-108, the U.S. Postal Service will notify the Universal Postal Union (UPU) International Bureau (IB) of its self-declared E-format letter post rates in U.S. dollars (USD) by March 1, 2020, to take effect on July 1, 2020. The UPU IB will then convert the rates into Special Drawing Rights (SDR), using the average monthly exchange rate from August through December 2019. The use of undifferentiated rates for low volume flows will continue as provided and permitted by the Convention and its Regulations, and the self-declared E-format item rates will be integrated with the applicable rates for formats P and G to formulate blended rates for low volumes flows. Blended rates combining self-declared rates with Convention-set P and G format rates will apply to Group I countries with flows below 50 metric tons, and to Group II and III countries for flows below the 50 ton threshold but above the 25 ton threshold. Although exchange rates may fluctuate and the final blended rates in SDR may vary from those estimated here, the total blended per-kilogram rate in SDR for such inbound letter post flows will include approximately [REDACTED] SDR of the applicable self-declared E-format rate (or, in USD, approximately \$ [REDACTED]) as estimated for present purposes based on the exchange rate of August 30, 2019. For Group II and III country flows at or below the 25 ton threshold, as well as Group IV country flows at or below the 100 ton threshold, the applicable rate element for E-format items used in the undifferentiated rate will be determined by the Convention and its Regulations, in lieu of being determined by the applicable self-declared E-format rate; with respect to the provisional exceptional rates for those flows, see UPU IB Circular No. 113 (replacement Oct. 9, 2019) (Tables II.3, III.3, & IV.6). E-format rates for Group IV countries with flows below the 100 ton threshold may also be supplemented in part by internal air conveyance charges, to the extent provided by the Convention and its Regulations.

<sup>2</sup> An exception to these self-declared rates may apply if rates are determined by the UPU Convention and its Regulations as explained above, or if operators agree upon alternative rates by bilateral or multilateral agreement.

<sup>3</sup> The rates for Inbound Registered Service for Small Packets and Bulky Letters are established by the UPU Convention and Convention Regulations. For 2020, under UPU Convention Articles 28.8 & 28.9, there shall be payment of 1.300 SDR per such registered item, plus there may be an additional payment of 0.5 SDR per item if such an item does not carry a barcode compliant with UPU Technical Standard S10. Such items may also be subject under the UPU Convention and Convention Regulations to additional charges of up to 0.5 SDR per item for the UPU Supplementary Remuneration Program, if applicable.

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE EFFECTIVE DATE AND UPU CONFORMING CHANGES FOR RATES FOR INBOUND LETTER POST SMALL PACKETS AND BULKY LETTERS, AND FOR INBOUND REGISTERED SERVICE ASSOCIATED WITH SUCH ITEMS (GOVERNORS' DECISION NO. 19-5)**

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October 14, 2019

**STATEMENT OF EXPLANATION AND JUSTIFICATION**

In Order No. 4980 that the Postal Regulatory Commission issued on January 9, 2019, the Commission conditionally granted the Postal Service's request for transfer of Inbound Letter Post small packets and bulky letters, and inbound registered service associated with such items, from the market dominant product list to the competitive product list, subject to favorable review and implementation of new prices for these transferred products.

In Governors' Decision No. 19-2 that we issued on May 9, 2019, pursuant to our authority under section 3632 of title 39, we established new rates not of general applicability in Mail Classification Schedule (MCS) section 2340.6 for Inbound Letter Post small packets and bulky letters within a certain maximum and minimum range of rates except as otherwise provided under the Universal Postal Convention, and rates for Inbound Competitive International Registered Mail service associated with Inbound Letter Post small packets and bulky letters (in MCS section 2615.2.2) were established by reference to the Universal Postal Convention. We also directed management to file with the Commission, as needed, appropriate notice of the specific prices for such products within the maximum and minimum of this range, and appropriate notice of the specific effective date of the prices after we had determined that date. In Order No. 5152 that the Commission issued on July 12, 2019, the Commission favorably reviewed the range of rates that we had established in Decision No. 19-2.

The Universal Postal Union (UPU) held its Third Extraordinary Congress on September 24-26, 2019, and adopted certain changes to the Universal Postal Convention that will enter into force on January 1, 2020. Pursuant to our authority under section 3632 of title 39, and in accord with the UPU Convention changes, in this Decision today we establish the effective date for the new prices that we previously established in Decision No. 19-2 for Inbound Letter Post small packets and bulky letters and for inbound registered service associated with such items. Acknowledging the UPU changes to the

Convention, we further authorize management to make any conforming changes concerning the specific prices for these products as filed with the Commission, including the use of blended and undifferentiated per-kilogram rates consistent with the Convention as it shall enter into force on January 1, 2020.


In accord with the Convention as it will enter into force on January 1, 2020, the earliest effective date with respect to which the Postal Service may self-declare its rates is July 1, 2020, and that is the effective date that we are hereby deciding to adopt. Management should notify the UPU International Bureau (IB) of the Postal Service's self-declared E-format letter post rates in U.S. dollars by March 1, 2020, and we understand that the IB will convert the rates into Special Drawing Rights using the average monthly exchange rate from a specified earlier period in accord with the Convention.

We further note that, pursuant to Commission Order Nos. 4980 and 5152, the effective date of prices that we are establishing in today's Decision should also become the effective date of transfer of Inbound Letter Post small packets and bulky letters, and inbound registered service associated with such items, to the competitive product list.

**ORDER**

The effective date for the new prices that we previously established in Decision No. 19-2 for Inbound Letter Post small packets and bulky letters, and for inbound registered service associated with such items, shall be July 1, 2020. Management is directed to file with the Postal Regulatory Commission notice of this effective date at least fifteen days in advance and to file notice of any conforming changes concerning the specific prices for these products consistent with the Universal Postal Convention as it shall enter into force on January 1, 2020.

By The Governors:

  
Robert M. Duncan  
Robert M. Duncan  
Chairman, Board of Governors

**Certification of Prices for Inbound Letter Post Small Packets and Bulky Letters,  
and for Inbound Registered Service Associated with such Items**

I, Nan K. McKenzie, Manager of Pricing Innovation, United States Postal Service, am familiar with the prices for Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post), and for Inbound Registered Service Associated with such Items. The prices were established by the Decision of the Governors of the United States Postal Service on Rates for Inbound Letter Post Small Packets and Bulky Letters, and for Inbound Registered Service Associated with such Items, issued May 9, 2019 (Governors' Decision No. 19-2), and by the Decision of the Governors of the United States Postal Service on the Effective Date and UPU Conforming Changes for Rates for Inbound Letter Post Small Packets and Bulky Letters, and for Inbound Registered Service Associated with such Items, issued October 14, 2019 (Governors' Decision No. 19-5).

I hereby certify that the numerical cost values underlying the prices for Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post), and for Inbound Registered Service Associated with such Items, are the appropriate costs to use in the formulas and represent the best available information. The prices demonstrate that Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post), and Inbound Registered Service Associated with such Items, should cover their attributable costs and preclude the subsidization of competitive products by market-dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post), and from Inbound Registered Service Associated with such Items, should be even smaller. Inbound Letter Post Small Packets and Bulky Letters (Inbound E-format Letter Post), and Inbound Registered Service Associated with such Items, should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

Nan K.

McKenzie

Digitally signed by Nan K. McKenzie  
DN: cn=Nan K. McKenzie, o,  
ou=Manager, Pricing Innovation,  
email=~~nan.k.mckenzie@usps.gov~~,  
c=US  
Date: 2019.10.29 15:32:17 -04'00'

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Date