

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

DECLARATION OF MICHAEL NADOLSKI
(March 10, 2000)

I, Michael Nadolski, am competent to testify to the facts stated herein and will so testify if called as a witness. I submit this affidavit on behalf of Emery Worldwide Airlines, Inc., in support of its objection to the release of confidential commercial or financial information contained in the Priority Mail Contract..

1. I am employed by Emery as the Director of Contract Administration for the Priority Mail Contract. My duties currently include administering the contract, monitoring Emery's performance, and acting as a liaison between Emery and the Postal Service.

2. The PMPC contract pricing schedule contains over 100 pages of pricing schedules and over 10,000 prices for point-to-point transportation routes over a five-year period. These detailed pricing schedules were developed by Emery specifically for the PMPC contract. The pricing schedules reflect per-piece prices for transporting flats, parcels, and outside pieces between each of ten Priority Mail processing centers ("PMPCs") and 69 Air Mail Centers ("AMCs") and Area Distribution Centers ("ADCs") across the country. The schedules also provide price adjustments for volume variations.

3. The pricing schedules also contain an "Air Transport Cost Element" for each of the 10,000 point-to-point prices. This cost element shows Emery's air transportation cost for each city pair. Emery considers this information to be highly confidential. Making our transportation cost for each city pair available to a competitor would result in substantial competitive harm to Emery. Moreover, the pricing schedule shows that some city-pairs do not contain an air transportation cost, showing that Emery and USPS do not intend to serve that city-pair with air transportation. Disclosing this information would also provide valuable and confidential competitive information on how Emery and USPS intend to provide network transportation service. Because a competitor could use this information to develop or refine its own similar network transportation scheme, Emery considers this information to be confidential.

4. The per-piece and point-to-point pricing schedules reflect Emery's experience in the industry and its own proprietary analysis of costs and profits expected on the PMPC contract. They were developed at significant time and expense solely in connection with the preparation of Emery's proposal for the PMPC contract.

5. Revealing the PMPC pricing schedules would also reveal Emery's proprietary pricing strategies developed for the PMPC contract and would amount to the release of trade secrets and confidential commercial information. Disclosing the pricing schedules would grant our competitors, such as UPS, access to our pricing strategy for processing and transporting flats, parcels, and outsides between various city-pairs and regions. Coupled with its own knowledge of the freight transportation business and freight costs for point-to-point routes, UPS could determine Emery's pricing strategy on each point-to-point route. UPS or another competitor

could also infer and predict Emery's costs and intended profit by analyzing the overlapping and adjacent routes among the 10,000 separately priced city-pairs set out in the pricing schedules.

6. Most importantly, UPS could use Emery's detailed pricing schedules to effectively "cherry-pick" those city-pairs that would be most profitable for it to offer its own competing transportation services. UPS could also use Emery's pricing information to adjust, refine, or confirm its own pricing on similar routes. Such unfair competition would cause substantial harm to Emery's competitive position and place Emery at a competitive disadvantage.

7. Throughout proposal preparation, negotiation, and performance, both Emery and the Postal Service have treated the PMPC contract — including the Emery pricing schedules — as confidential. The PMPC contract itself limits access to subcontractors or prospective subcontractors who have executed a nondisclosure agreement with the Postal Service. The PMPC contract precludes access by those in direct competition with the Postal Service. Those who are permitted access to the contract are required to comply with the terms of the nondisclosure agreement.

8. The nondisclosure agreement specifies that only those who have a legitimate reason to know the information may have access to it. It strictly limits the available uses of the information and requires the recipient to instruct employees who have such access about the information's confidentiality.

9. Emery strictly limits access to the PMPC contract and its pricing schedules to those Emery employees who are actively engaged in work on the PMPC contract and who need to know the information it contains. Each employee with such access is instructed that the information is confidential and not to be disclosed.

10. Emery also strictly complies with the requirement that its subcontractors and prospective subcontractors execute a nondisclosure agreement with the Postal Service. Before disclosing the PMPC contract, Emery requires that the prospective subcontractor sign a non-disclosure agreement and forward a copy of the signed agreement directly to the Postal Service.

I declare under penalty of perjury that the foregoing is correct. Executed this ____ day of March 2000.

Michael Nadolski

10. Emery also strictly complies with the requirement that its subcontractors and prospective subcontractors execute a nondisclosure agreement with the Postal Service. Before disclosing the PMPC contract, Emery requires that the prospective subcontractor sign a non-disclosure agreement and forward a copy of the nondisclosure agreement directly to the Postal Service.

I declare under penalty of perjury that the foregoing is correct. Executed this 10th day of March 2000.



Michael Nadolski