

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

COMPETITIVE PRODUCT PRICES
EXPRESS MAIL INTERNATIONAL
BILATERAL/MULTILATERAL AGREEMENTS

Docket No.
CP2008-7

**UNITED STATES POSTAL SERVICE NOTICE OF FILING REDACTED COPY OF
GOVERNORS' DECISION NO. 08-5**
(July 23, 2008)

In response to the Commission's Order No. 84, the United States Postal Service hereby provides a redacted¹ version of the Decision of the Governors of the United States Postal Service on the Inbound Price of Services Offered under Express Mail International (EMS) Bilateral/Multilateral Agreements (Governors' Decision No. 08-5).

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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July 23, 2008

¹ Redactions in this document concern sensitive, commercial information that should not be publicly disclosed. As the Commission anticipated, these redactions are similar in nature to what the Postal Service provided in association with Docket Nos. CP2008-8, CP2008-9, and CP2008-10 on June 16, 2008. See PRC Order No. 84 (June 27, 2008), at 8 n.11.

CP2008-6

**Decision of the Governors of the United States
Postal Service on the Inbound Price of Services
Offered under Express Mail International (EMS)
Bilateral/Multilateral Agreements, issued April 1,
2008 (Governors' Decision No. 08-5)**

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
INBOUND PRICE OF SERVICES OFFERED UNDER EXPRESS MAIL INTERNATIONAL (EMS)
BILATERAL/MULTILATERAL AGREEMENTS (GOVERNORS' DECISION No. 08-5)**

April 1, 2008

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings. This decision establishes prices by setting price floor and price ceiling formulas for Inbound Express Mail International (EMS) bilateral/multilateral agreements. The types of agreements to which these prices will apply are described in Attachment A, the price floor and price ceiling formulas are specified in Attachment B, and management's analysis of the appropriateness of these formulas is explained in Attachment C. We have reviewed that analysis and have concluded that the prices emerging from application of the formulas are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Agreements which fall within the terms specified in Attachment A, and whose prices fall within the price range established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We have determined that prices established according to the formulas listed in Attachment B would be appropriate for the services covered by the types of Inbound Express Mail International (EMS) bilateral/multilateral agreements described in Attachment

A.¹ Management's analysis of the formulas, included as Attachment C, supports our decision to establish prices through such formulas for the specified types of agreements.

We are satisfied that the prices established by the formulas in Attachment B meet the applicable statutory and regulatory requirements. The price floor formula provides greater than 100 percent coverage of the costs attributable to each of these types of agreements. We accept and rely upon the certification in Attachment D that the correct cost inputs for the formulas have been identified. In addition, the price floor formula

should cover the agreements' attributable costs and provide a contribution toward the Postal Service's institutional costs. The formula should thus prevent a cross-subsidy from market dominant products. As noted in the certification in Attachment D, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 C.F.R. § 3015.5. The notice must include a financial analysis that demonstrates that the agreement covers its attributable costs, based on Attachment B. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement are appropriate, in that they represent the best available information and that the agreement should not result in a cross-subsidy from market dominant products and should not impair the ability of competitive products, as a whole, to cover an appropriate share of institutional costs.

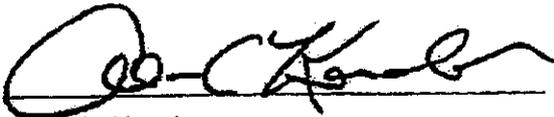
¹ The decision applies solely to the inbound price provisions of those agreements. The classification for Inbound International Expedited Services, including Inbound Express Mail International (EMS) services established by bilateral/multilateral agreements, is contained in the Mail Classification Schedule language proposed by the Postal Service and is repeated in Attachment A. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Inbound Express Mail International (EMS) bilateral/multilateral agreements, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within the formulas set by this Decision and the certification process specified herein is followed. After an authorized agreement is entered into, the Postal Service shall comply with all applicable statutory and regulatory requirements:

Prices established pursuant to this Decision will take effect fifteen days after the date on which the agreement is filed with the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read "Alan C. Kessler", written over a horizontal line.

Alan C. Kessler
Chairman

Attachment A

Description of Applicable Inbound Express Mail International (EMS) Service Bilateral/Multilateral Agreements

This Decision applies to the inbound prices for Express Mail International (EMS) Service set by bilateral and multilateral agreements.

2115 Inbound International Expedited Services

Inbound Express Mail International (EMS)

Inbound Express Mail International is a reliable, high-speed service, available from most countries. Inbound Express Mail International may contain matter with personal information, partially or wholly hand-written or typewritten matter, or bills or statements of account. Inbound Express Mail International is sealed against inspection. There is no service guarantee or postage refund for delay. Unless covered by a negotiated agreement, indemnity is paid by the country of origin to the sender and it is not reciprocal.

Size and Weight:

	Length	Width	Height	Weight ¹
Minimum	None	None	None	
Maximum	36 inches	Length plus girth: 79 inches		

¹ Country-specific restrictions may apply as specified by the originating country.

Minimum Volume: None

Price Categories:

Bilateral/Multilateral Agreements:

Bilateral Express Mail Service (EMS) The Postal Service has standard EMS bilateral agreements with a large number of countries for service standards, tracking, and tracing concerning delivery of both inbound and outbound international express mail items. Each destination administration can set its charge once a year by notifying their partners either directly no later than August 1 or via the UPU International Bureau no later than September 1 of the year prior to the effective date.

EMS Cooperative Pay for Performance The EMS Cooperative Pay-for-Performance plan has been implemented with certain countries. The EMS Pay-for-performance Plan links payment for delivery of EMS items to the quality of service performed. Charges are not covered; rather, total payments between countries account for service quality.

Kahala Posts Group The Postal Service entered into an agreement with certain postal administrations to work together to improve international postal services, particularly EMS, packages and logistic services under the name Kahala Posts

Group. This agreement does not cover charges. Inbound Express Mail International With Postage Refund Guarantee, provided under the Group's Strategic Services Agreement, is comparable to regular Express Mail International with the exception that postage refunds may be provided if date-certain delivery is not made. This service is available to and from a limited number of countries as specified in the IMM.

E Parcel Group This agreement provides for service standards, tracking, tracing, and charges for delivery of outbound and inbound air parcels and EMS destined to and originating in certain European countries.

China Post The Postal Service has a bilateral agreement with China Post which sets inbound and outbound charges for EMS and discusses improved service opportunities.

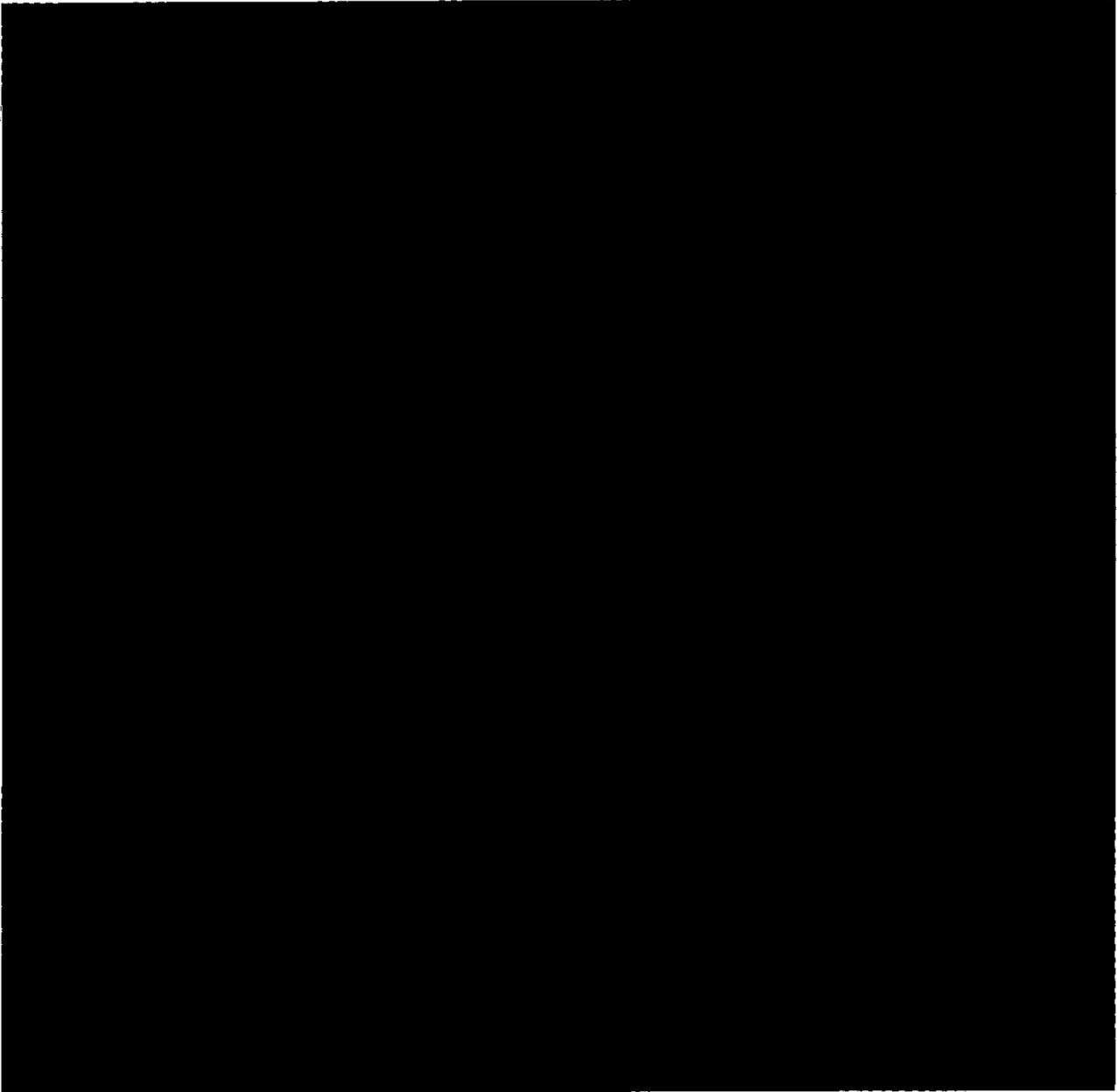
Optional Features:

Inbound International Ancillary Services

- Inbound International Insurance
- Inbound International Return Receipt
- Customs Clearance and Delivery Fee

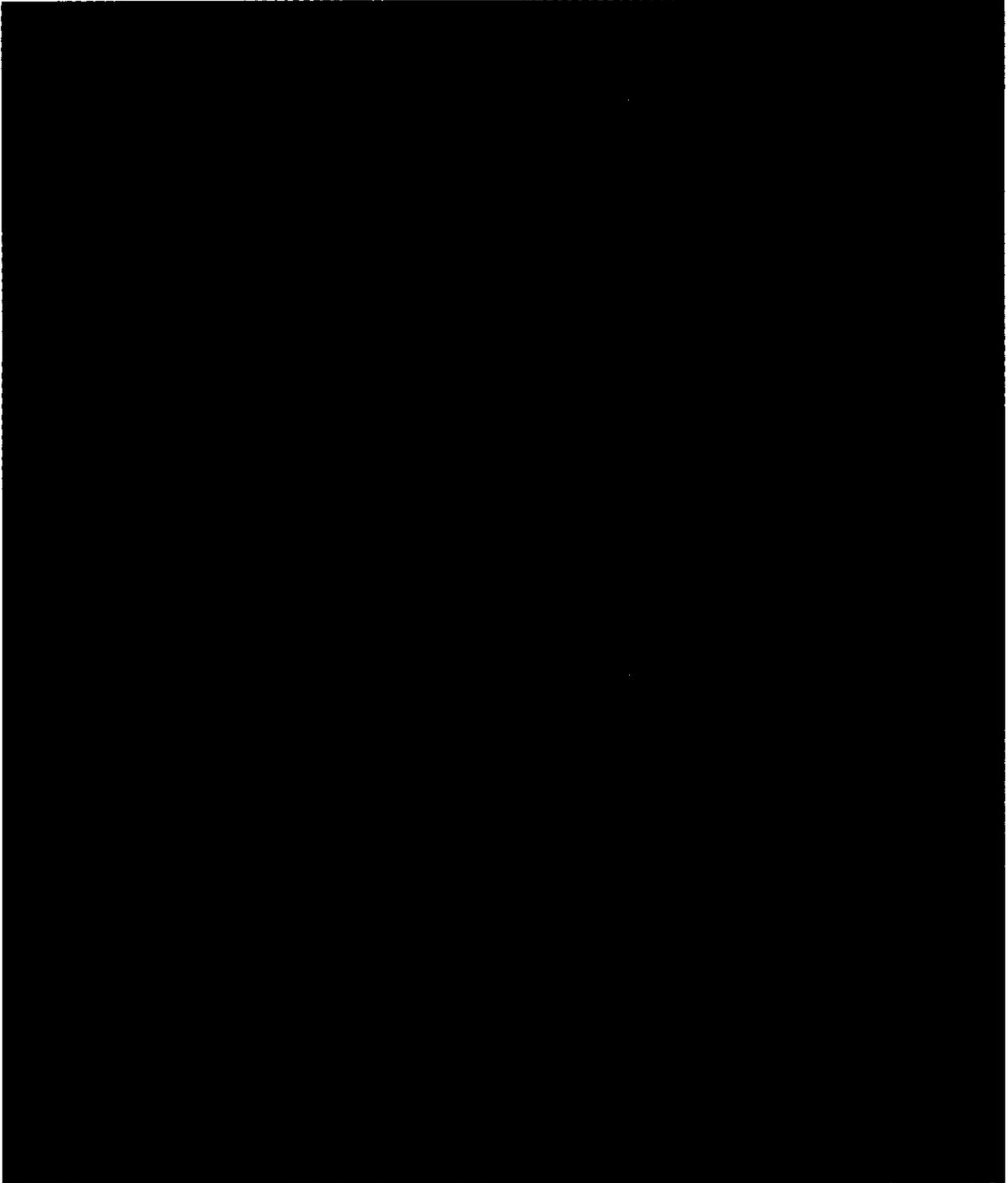
Attachment B

**Formulas for Inbound Prices Under Applicable Express Mail International (EMS)
Service Bilateral/Multilateral Agreements**



Attachment C

**Analysis of Formulas for Inbound Prices Under Applicable Express Mail
International (EMS) Service Bilateral / Multilateral Contracts**



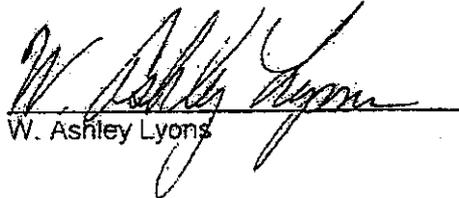


Attachment D

**Certification as to the Formulas for Inbound Prices Offered Under Applicable
Express Mail International (EMS) Service Bilateral/Multilateral Agreements**

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the price floor formula and price ceiling formula for inbound Express Mail International (EMS) Service Bilateral/Multilateral contracts which are set forth in Attachment B.

I hereby certify that these formulas adequately represent all necessary [REDACTED] [REDACTED] If the Postal Service were to enter into agreements that set prices above the price floor, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formula is designed to ensure that each agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2007, all outbound international competitive mail accounted for approximately 11 percent of the total contribution by all competitive products. Contribution from Inbound Express Mail International (EMS) Service Bilateral/Multilateral Agreements is much smaller. Even if all the agreements for Inbound Express Mail International (EMS) Service are signed at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


W. Ashley Lyons

CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 08-5

I hereby certify that the following Governors voted at the April 1, 2008, Board meeting on adopting Governors' Decision No. 08-5:

Mickey D. Barnett
James H. Bilbray
Carolyn Lewis Gallagher
Louis J. Giuliano
Alan C. Kessler
Thurgood Marshall, Jr.
James C. Miller III
Katherine C. Tobin

Ellen C. Williams did not attend the April 1, 2008, meeting.

The vote was 8-0 in favor.

Wendy A. Hocking
Wendy A. Hocking, Esq.
Secretary of the Board of Governors

Date: 4/7/08