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

MARKET DOMINANT PRODUCT PRICES BILATERAL NEGOTIATED SERVICE AGREEMENT	Docket Nos. MC2009-7
MARKET DOMINANT PRODUCT PRICES CANADA POST – UNITED STATES POSTAL SERVICE CONTRACTUAL BILATERAL AGREEMENT FOR INBOUND MARKET-DOMINANT SERVICES (MC2009-7) NEGOTIATED SERVICE AGREEMENT	R2009-1

REQUEST OF UNITED STATES POSTAL SERVICE TO ADD CANADA POST – UNITED STATES POSTAL SERVICE CONTRACTUAL BILATERAL AGREEMENT FOR INBOUND MARKET-DOMINANT SERVICES TO THE MARKET-DOMINANT PRODUCT LIST, NOTICE OF TYPE 2 RATE ADJUSTMENT, AND NOTICE OF FILING AGREEMENT (UNDER SEAL)
(November 13, 2008)

In accordance with 39 U.S.C. §§ 3622(c)(10) and 3642 and 39 C.F.R. §§ 3010.40 *et seq.* and 3020.30 *et seq.*, the United States Postal Service (Postal Service) hereby requests that the Canada Post – United States Postal Service Contractual Bilateral Agreement for Inbound Market-Dominant Services (Agreement), as expressed through a one-year extension to applicable segments of a precursor agreement,[1] be added to the market-dominant product list within the Mail Classification Schedule (MCS). The Postal Service also provides notice that the Governors of the Postal Service have authorized a Type 2 rate adjustment to establish the rates for the Agreement.

[1] "Agreement" is used herein to denote the composite segments of the overarching agreement with Canada Post that have been filed under seal, to the extent that they bear on the rates and classifications for inbound market-dominant services.

Attachment 1 to this Request includes proposed MCS language for the Agreement.[2] Attachment 2 is the Statement of Supporting Justification of Lea Emerson, Executive Director, International Postal Affairs, pursuant to Rule 3020.32. The Postal Service hereby also provides notice that it is filing, under seal, a copy of the Agreement materials in accordance with 39 C.F.R. § 3010.42(a)(1).

I. Confidentiality

While the Commission intends to address broader confidentiality issues in the future,[3] the Postal Service maintains that the Agreement and related financial information should remain confidential. The agreement contains pricing and other information related to Canada Post and Postal Service processes and procedures for handling the mail tendered under the agreement. Related financial information contains cost and pricing information showing how prices are developed. Prices and other contract terms relating to the parties' processes and procedures are highly confidential in the business world and the Postal Service protects them in accordance with industry standards. Public disclosure would compromise the ability of both the Postal Service and Canada Post to negotiate favorable bilateral agreements in the future, both with each other and with other postal operators.

II. Notice of Agreement and Rate Adjustment

A. Criteria under Part 3010, Subpart D of the Rules of Practice and Procedure

The Postal Service provides the following answers, descriptions, and affirmations in response to the criteria for a notice of agreement, as provided in 39 C.F.R. § 3010.42.

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[2] An unredacted copy of the Agreement and other supporting documents are being filed separately with the Commission under seal.

[3] *See* PRC Order No. 96, Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, August 13, 2008.

This statement provides support for the implementation of the Agreement and the establishment of the rates offered therein.

> *(a) … (1) A copy of the negotiated service agreement;*
> *(2) The planned effective date(s) of the proposed rates;*
> *(3) A representation or evidence that public notice of the planned changes has been issued or will be issued at least 45 days before the effective date(s) for the proposed new rates; and*
> *(4) The identity of a responsible Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission.*

As described above, a copy of the materials that comprise the Agreement is being filed under seal in connection with the instant filing.[4] The Agreement's rates are planned to become effective on January 1, 2009. A public notice about this Request has been sent for publication in the *Federal Register* at least 45 days before the effective date. Ms. Lea Emerson, Executive Director, International Postal Affairs, will be available to provide prompt responses to requests for clarification from the Commission.

> *(b) A statement identifying all parties to the agreement and a description clearly explaining the operative components of the agreement.*

The parties to the Agreement are the United States Postal Service and the Canada Post Corporation. The Agreement includes inbound Letter Post, in the form of letters, flats, packets, bags, and containers, International Registered Mail service ancillary to such inbound Letter Post, and Canada Post's "Xpresspost" product, which consists of documents and packages containing merchandise. In addition to rates, the

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[4] The Agreement materials filed under seal in this docket constitute a subset of the overarching agreement between the Postal Service and Canada Post. Although certain aspects of the overarching agreement, including some of the materials filed under seal in this proceeding, await finalization between the parties, the current agreement's impending expiration and the regulatory time-frame demand that the Postal Service submit these materials in their present state. The parties expect to finalize this and related agreements by mid-December, and any lingering details will not affect the rates, classification, or other fundamental basis for this Request and Notice. To the extent that the overarching agreement or any portion of it constitutes a "commercial or operational contract[ ] related to providing international postal services and other international delivery services" with "an agency of a foreign government," the Postal Service will transmit a copy of the finalized agreement to the Commission pursuant to 39 U.S.C. § 407(d).

Agreement provides delivery and scanning performance objectives, as well as incentives to encourage operational improvement.

> *(c) Details regarding the expected improvements in the net financial position or operations of the Postal Service. The projection of change in net financial position as a result of the agreement shall include for each year of the agreement:*
> *(1) The estimated mailer-specific costs, volumes, and revenues of the Postal Service absent the implementation of the negotiated service agreement;*
> *(2) The estimated mailer-specific costs, volumes, and revenues of the Postal Service which result from implementation of the negotiated service agreement;*
> *(3) An analysis of the effects of the negotiated service agreement on the contribution to institutional costs from mailers not party to the agreement; and*
> *(4) If mailer-specific costs are not available, the source and derivation of the costs that are used shall be provided, together with a discussion of the currency and reliability of those costs and their suitability as a proxy for the mailer-specific costs.*

The Postal Service has provided information about expected financial improvements, costs, volumes, and revenues in the financial workpapers that it has filed under seal.

> *(d) An identification of each component of the agreement expected to enhance the performance of mail preparation, processing, transportation or other functions in each year of the agreement, and a discussion of the nature and expected impact of each such enhancement.*

Because this proceeding concerns a one-year extension to the precursor agreement, the Agreement as filed covers only a single year, and the performance responsibilities are consistent with those that applied under the precursor agreement. These responsibilities include Canada Post’s work-sharing arrangements, such as, presorting items to a three-digit delivery ZIP Code level and providing transportation for inbound airmail items to multiple Postal Service International Service Centers for acceptance.

(e) Details regarding any and all actions (performed or to be performed) to assure that the agreement will not result in unreasonable harm to the marketplace.

The Agreement will not result in unreasonable harm to the marketplace. Canadian law accords to Canada Post an exclusive privilege to carry outbound letters weighing less than 500 grams (17.64 ounces),[5] and it is believed that Canada Post maintains a generally dominant position in the market for letters not subject to its exclusive privilege. Therefore, Canada Post is the only entity in a position to avail itself of an agreement with the Postal Service of this type and scope. The United States' Private Express Statutes[6] also generally prohibit entities other than the Postal Service from carrying inbound letters, at least below certain price and weight thresholds, and the Postal Service is unaware of any private entity that would be able to serve the United States market for inbound Letter Post from Canada on the terms and scale contemplated in this Agreement.

In addition, both Canada Post and the Postal Service serve as their respective countries' designated operators for the exchange of mail, including in particular Letter Post, under rules set by the Universal Postal Union (UPU). Designated operators ordinarily compensate one another for the delivery of Letter Post in accordance with terminal dues rates set by the UPU, unless a bilateral agreement is concluded. Because no other entity is in a position to serve as a designated operator for the relevant types of mail either originating in Canada or destined for the United States, and because no other entity is subject to terminal dues rates with respect to inbound Letter

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5 Canada Post Corporation Act, R.S.C., ch. C-10, §§ 5(1)(a), 14, 15 (1985) (Can.); *Canada Post Corp.* v. *Key Mail Canada Inc.*, [2005] 202 O.A.C. 158, *appeal denied*, Docket No. 31133 (Can. Dec. 22, 2005); *Canada Post Corp.* v. *G3 Worldwide (Canada) Inc.*, [2007] 85 O.R.3d 241 (C.A.), *appeal denied*, Docket No. 32093 (Can. Nov. 1, 2007).

6 18 U.S.C. §§ 1696-1699 (2008); 39 U.S.C. §§ 601-606 (2008).

Post from Canada, the market for the services offered under this Agreement is limited to its parties.

Because there is no significant competition in the relevant market, the Postal Service submits that the Agreement cannot reasonably be expected to pose competitive harm to the marketplace. If anything, the “marketplace” has long since established its ability to accommodate an agreement between the Postal Service and Canada Post as to the terms of inbound single-piece Letter Post, since such agreements have served both postal administrations’ constituents continuously since 1888.

> *(f) Such other information as the Postal Service believes will assist the Commission to issue a timely determination of whether the requested changes are consistent with applicable statutory policies.*

In this docket, the Postal Service is presenting only an agreement to deliver Letter Post and Xpresspost in the United States tendered by Canada Post. The rates paid by the Postal Service to Canada Post for outbound delivery of the Postal Service’s market-dominant products in Canada have not been presented to the Commission. Those rates represent supplier costs to the Postal Service, which are built into the prices that the Postal Service charges its mailing customers for outbound market-dominant products to be delivered in Canada. An agreement concerning outbound market-dominant services with Canada Post would no more need to be classified as a product or otherwise subjected to prior Commission review than would an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers. The Commission has the opportunity to review outbound rates, and the cost inputs that underlie them, each year through Annual Compliance Determination proceedings.

B. Data Collection Plan

Under 39 C.F.R. § 3010.43, the Postal Service must include with its notice of agreement “a detailed plan for providing data or information on actual experience under the agreement sufficient to allow evaluation of whether the negotiated service agreement operates in compliance with 39 U.S.C. [§] 3622(c)(10).” In past proceedings, such as the Postal Service’s 2007 Annual Compliance Report and filings under former 39 U.S.C. § 3663, the Postal Service has provided data and information on actual experience with these services offered in the context of bilateral agreements with Canada Post. These data and information were ultimately sufficient to allow the Commission to evaluate whether the services complied with statutory criteria. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from Canada within the course of the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for the Agreement.

C. Statutory Criteria

Under 39 U.S.C. § 3622(c)(10), the only criteria for the Commission’s review are whether the agreement (1) improves the net financial position of the Postal Service or enhances the performance of operational functions, (2) will not cause unreasonable harm to the marketplace, and (3) will be available on public and reasonable terms to similarly situated mailers. The first two criteria have been addressed in Part II.A above. With respect to the third criterion, there are no entities that are similarly situated to Canada Post in their ability to tender Letter Post from Canada under similar operational conditions, nor any other entities that serve as a designated operator for Letter Post originating in Canada. Therefore, the Postal Service finds it difficult to conceive of a "similarly situated mailer" to whom it could make a similar agreement available; accordingly, the Postal Service views this criterion as inapplicable in this instance. Because all of section 3622's criteria have been met, the Postal Service respectfully urges the Commission to act promptly by allowing the Agreement's rates to be implemented under 39 C.F.R. § 3010.40, as requested.

III. Request to Add Agreement to the Market-Dominant Products List

A. Identification of Existing Agreement

At present, the only agreement with Canada Post for inbound market-dominant services is described in draft MCS language previously proposed by the Postal Service.[7] The current agreement was executed under the Postal Service's former international ratemaking authority, which was preserved by the transition rules of 39 U.S.C. §§ 3622(f) and 3631(c).[8] This agreement is set to expire on December 31, 2008. The terms of the agreement's extension fit within the new proposed MCS language included as Attachment 1 to this filing. On its own terms, the Agreement is a one-year extension of the current agreement, with some modifications. Because the Commission has not yet finalized the MCS or adopted the proposed language that pertains to the current agreement, however, the Postal Service recognizes that the extension filed in this proceeding effectively represents the arrangement's procedural debut before the Commission.

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[7] *See* United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007. A copy of the agreement was also provided pursuant to 39 U.S.C. § 407(d)(2) to the Commission under cover of letter dated February 9, 2007, to the Secretary of the Commission.

[8] Prior to its revision in the Postal Accountability and Enhancement Act, P.L. 109-435, § 405, 120 Stat. 3198, 3229 (2006), 39 U.S.C. § 407 authorized the Postal Service, with the consent of the President, to establish rates of postage or other charges on international mail matter.

B. Proposed Mail Classification Schedule Language

The proposed MCS language in Attachment 1 contains much of the same language that was included in MCS language that the Postal Service initially proposed as the "Bilateral/Multilateral Agreements: Canada Post Bilateral Agreement" price category within Inbound Single-Piece First-Class Mail International (Letter-Post).[9] In its previous MCS submission, the Postal Service proposed to place the precursor agreement as a price category under the general product rubric. For practical reasons[10] and to reflect the Commission's ruling that each contract or group of functionally equivalent contracts consists of a separately identifiable product,[11] the Postal Service now proposes that each agreement with Canada Post for inbound market-dominant services be classified as such, rather than by its constituent parts.

Although the proposed MCS language may tend toward terseness, the Postal Service notes the Commission's ruling that "[t]he rules require only minimal descriptive information to be included in the Mail Classification Schedule."[12] With respect to the Postal Service's earlier proposed MCS, which included a description of the market-dominant aspects of the previous Canada Post bilateral agreement that closely resemble the MCS description attached hereto, the Commission acknowledged that

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9 *See* United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007.

10 There is no existing MCS classification for Xpresspost from Canada, nor does the Postal Service believe it is necessary to establish one. With respect to the inbound delivery services that the Postal Service provides in conjunction with this Canada Post product, the Postal Service only offers these services within the scope of the Agreement, and the Commission has ruled that each agreement is a product in itself. *See infra* footnote 11.

11 PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. MC2007-1, October 29, 2007, at ¶¶ 1003, 2177, 2198, 3001.

12 *Id.* at ¶ 4010.

"[t]he level of detail that the Postal Service provided in its [initially] proposed Mail Classification Schedule . . . appears adequate."[13]

B. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

The Statement of Supporting Justification of Lea Emerson, Executive Director, International Postal Affairs, is included as Attachment 2 in accordance with Part 3020, Subpart B of the Rules of Practice and Procedure. This Statement provides support for the addition of the Agreement to the market-dominant products list.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market-dominant as a function of the Postal Service's market power, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has been addressed in this case. With Order No. 43, the Commission has already assigned all inbound shipments of single-piece Letter Post to the market-dominant category,[14] and the Agreement is the instrument that implements negotiated rates and operational provisions concerning Letter Post. The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed in Ms. Emerson's statement. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the market-dominant products list as requested.

IV. Conclusion

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13 *Id.*

14 Order No. 43 at ¶ 4003 (placing Inbound First-Class Mail International as a subset within the classification for First-Class Mail).

For the reasons discussed, the Postal Service believes that the Agreement should be added to the market-dominant products list. The Postal Service asks that the Commission approve this Request.

As required by 39 U.S.C. § 3642(d)(1), a notice concerning this Request has been sent for publication in the *Federal Register*.

Respectfully submitted,

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1620 Canada Post – United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services

This agreement governs the exchange of inbound air and surface letter post (LC/AO) and Xpresspost from Canada to the U.S. Xpresspost is a Canadian service for documents, packets, and parcels that are entered into the Postal Service's domestic Priority Mail network. In particular, the agreement maintains operational terms existing under the previous bilateral arrangement, subject to interim review as to possible improvements, and provides charges for delivery of inbound air and surface letter post and Xpresspost.

Statement of Supporting Justification

I, Lea Emerson, Executive Director, International Postal Affairs, am sponsoring the Request that the Commission add the Canada Post – United States Postal Service Contractual Bilateral Agreement for Inbound Market-Dominant Services (Agreement) filed in Docket No. MC2009-7 to the market-dominant products list. The proposed Mail Classification Schedule (MCS) language for the Agreement describes this agreement, which is currently expressed through a one-year extension to applicable segments of a precursor agreement. My statement supports the Postal Service's Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

(a) Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.

As demonstrated below and in the Request and Notice to which this statement is attached, the change complies with the applicable statutory provisions.

(b) Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).

Unlike Type 1 and 3 rate adjustments, the Commission has acknowledged in 39 C.F.R. § 3010.2(a) that rate adjustments for negotiated service agreements are authorized by 39 U.S.C. § 3622(c)(10), rather than 39 U.S.C. § 3622(d).

Therefore, the requirements of 39 U.S.C. § 3622(d) do not appear to apply in this instance.

In the Request and Notice to which this statement is attached, the Postal Service has explained how the agreement complies with the applicable factors in 39 U.S.C. § 3622(c)(10). The Agreement also accords with the objectives stated in 39 U.S.C. § 3622(b) and the other factors stated in 39 U.S.C. § 3622(c), to the extent applicable. By negotiating directly with foreign postal administrations through bilateral agreements such as the one submitted here, it is possible to present prices that more accurately represent the services' costs and the value that the foreign postal administration and its customers place on the services being provided (factors 1 and 7), which offer reliability and varying degrees of delivery speed (factor 9). The rates in the agreement will remain in effect for one year and represent modest increases over prior rates, thereby achieving the goal of predictability and stability for Canada Post and its customers, as well as the Postal Service (objective 2). The agreement includes performance-based incentives to promote cost reduction, increase efficiency, and improve service performance (objectives 1 and 3 and factor 12).

The revenues earned by the Postal Service under the agreement will cover the costs attributable to the services offered under the agreement, and they will allow for sufficient retained earnings to maintain financial stability (objective 5). As a result, the agreement is in keeping with the appropriate allocation of such costs between market-dominant and competitive products (objective 9 and factor 2). These rates provide superior cost coverage to the default rates set by the Universal Postal Union (objectives 5, 8, and 9 and factor 7). The rates represent a modest increase over those provided in the precursor agreement and will likely have little effect on either Canada Post or American recipients (factor 3).

Both senders and recipients typically esteem Letter Post as an economical and reliable option for personal and business correspondence. Xpresspost may serve as another option for the same sort of documents, as well as some merchandise. Therefore, it may be assumed that inbound Letter Post and Xpresspost from Canada is of high relative value to the people and that it may tend to contain items with high educational, cultural, scientific, and informational value (factor 8). Alternatives to inbound Letter Post and Xpresspost from Canada are available at reasonable cost in the form of electronic, telephone, and facsimile communication (factor 4). The Postal Service is unaware of whether private couriers offer comparable services to U.S.-bound Xpresspost and, if so, how the cost to Canadian senders or stated delivery standards compare between Xpresspost and such services.

Adding the Agreement to the market-dominant products list will promote simplicity in the MCS's structure (factor 6). The proposed listing features simple, direct language that describes the market-dominant portion of the Postal Service's long-standing relationship with its largest foreign trading partner. The proposed listing would also unify various Canada-origin mail flows under a single classification heading that reflects the pertinent agreement, rather than separately under various classification headings, as suggested by the Postal Service's previous MCS proposal.

Under the agreement, Canada Post performs certain mail preparation tasks, such as presorting airmail items to a three-digit delivery ZIP Code level and providing transportation for inbound items to multiple Postal Service International Service Centers for acceptance. These activities reduce the Postal Service's costs (factor 5).

If the Commission permits this directly negotiated agreement to be classified and its rates implemented, it will be affirming the Postal Service's exercise of its pricing flexibility (objective 4 and factor 7) and reducing administrative burden that might impede the flow of inbound mail from Canada (objective 6). Because this type of agreement was not subject to prior Commission review under the Postal Reorganization Act, this proceeding in itself arguably represents an increase in transparency, and the Postal Service's arrangements with Canada will continue to be subject to the annual compliance review process (objective 6). Finally, classification by the Commission would enable the establishment of rates that are considered to be just and reasonable by both the Postal Service and Canada Post (objective 8).

(c) Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.

Not applicable. The Postal Service is proposing to add the Agreement to the market-dominant products list.

(d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

Not applicable. The Postal Service is proposing to add the Agreement to the market-dominant products list.

(e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.*

The Private Express Statutes generally prohibit entities other than the Postal Service from carrying inbound letters weighing less than 12.5 ounces, unless postage has been paid or the carriage falls under certain exceptional circumstances. Therefore, the inbound Letter Post from Canada that is a subject of the Agreement is subject to the so-called “letter monopoly” up to the weight threshold, and to the extent that a private entity would not carry the items under exceptional circumstances provided in the Private Express Statutes (*e.g.*, for at least six times the current price of a one-ounce First-Class letter, or within the prescribed time guidelines for “extremely urgent” delivery, or as a special messenger). The Xpresspost service provided under the Agreement is not subject to the Private Express Statutes: the rates payable to the Postal Service under the agreement are higher than six times the current price of a one-ounce First-Class letter, and so it may be assumed that, at least as a hypothetical matter, alternative delivery could also be obtained from a private carrier at a price exceeding this test.

(f) Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.

Due to the Postal Service and Canada Post's respective statutory frameworks, their status as their respective countries' designated operators to provide universal Letter Post service under the Universal Postal Convention, and their historically dominant position in the marketplace for letter mail, there are few alternatives for sending and receiving inbound Letter Post from Canada at reasonable costs. It should be noted, however, that electronic, telephone, and facsimile communication represent low-priced alternatives for the type of business and personal correspondence typically transmitted through Letter Post. The Postal Service is unaware of whether private couriers offer comparable services to U.S.-bound Xpresspost.

(g) Provide any available information on the views of those who use the product on the appropriateness of the proposed modification.

The Canada Post Corporation, the counter-party to the agreement presented in Docket No. MC2009-7, is a foreign postal administration that desires to tender inbound mail volume to the Postal Service under the terms and conditions it has negotiated with the Postal Service. The Postal Service has concluded similar bilateral agreements with Canada Post since 1888. This indicates that Canada Post, as well as its mailing customers, finds the type of arrangement that this agreement represents to be invaluable for preserving and enhancing mail services from Canada to the United States. However, no specific data are available to the Postal Service on Canada Post's or its mailing customers' views regarding the regulatory classification of this agreement.

(h) Provide a description of the likely impact of the proposed modification on small business concerns.

Addition of the Agreement will likely have little, if any, adverse impact upon small business concerns. By offering the rates in this agreement, the Postal Service is continuing to provide Canada Post and small businesses in the United States affordable, reliable options for mailing letters and merchandise to the United States. As described in response to Part (f) above, there is little direct private competition for inbound Letter Post from Canada, and so classification of the agreement will not have significant impact on small business competitors. The Postal Service is unaware of any small business concerns that offer competing services. Thus, the net impact on small businesses is positive, because of the absence of negative impact on any small business competitors and the positive impact on small businesses served by Canada Post and the Postal Service.

(i) Include such other information, data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.

In its 2007 Annual Compliance Determination, the Commission observed that "[f]or inbound First-Class Mail International, the net loss in contribution is caused by the failure of revenues from foreign postal administrations, with the exception of Canada, to cover attributable costs. . . . The impact of non-compensatory UPU terminal dues rates on Postal Service revenues is a long-standing problem identified by the Commission in previous international mail reports to [the U.S.] Congress." The Commission has recommended that the Postal Service negotiate compensatory bilateral rates with industrialized countries. The Canada Post – United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services addresses the Commission's concerns, in that compensatory rates have been negotiated with Canada Post.