

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

COMPETITIVE PRODUCT PRICES  
INBOUND EXPEDITED MAIL INTERNATIONAL (EMS)  
ORIGINATING FROM FOREIGN POSTS

Docket Nos.  
MC2009-10

CP2009-12

**RESPONSE OF UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1 AND NOTICE OF FILING RESPONSIVE  
MATERIALS (UNDER SEAL)**  
(December 12, 2008)

In accordance with 39 C.F.R. § 3015.6, the United States Postal Service (Postal Service) hereby provides information responsive to the Chairman's Information Request No. 1 in the above-captioned proceeding. The Postal Service also hereby gives notice that its Responses to the sealed Attachment A to Chairman's Information Request No. 1 are filed under seal.

Due to their commercial sensitivity, the Postal Service has designated certain items in one publicly filed response to be kept under seal. As explained in its initial Request and Notice in these dockets,<sup>1</sup> the Postal Service maintains that prices and operational details concerning Inbound Expedited Mail International (EMS) agreements should remain confidential. The same reasons for confidentiality apply to the numerical performance threshold and payment reduction amount that, upon adoption, may be

---

<sup>1</sup> Request of the United States Postal Service Regarding Inbound Express Mail International (EMS) from Foreign Posts to Add Inbound International Expedited Services 2 to Competitive Product List; and Notice of Establishment of Rates and Classifications Not of General Applicability (hereinafter "Postal Service Request"), Docket Nos. MC2009-10 and CP2009-12, Nov. 19, 2008, at 5-6.

applied between the Postal Service and foreign postal administrations. This information is commercially sensitive in its own right and because it relates directly to the financial information previously filed under seal. Such information about the parties' performance and accounting processes are highly confidential in the business world, and the Postal Service protects them in accordance with industry standards. Public disclosure, particularly of data showing performance targets, would compromise the ability of both the Postal Service and foreign postal administrations to negotiate favorable agreements in the future, both with each other and with other postal operators. This information is clearly of a commercial nature, and the Postal Service is aware of no competitor or private company of comparable size and scope that releases such information to the public. The information redacted from the publicly filed Response thus merits confidential treatment.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business

Jacob D. Howley  
Kenneth N. Hollies

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-8917; Fax -6187  
jacob.d.howley@usps.gov  
December 12, 2008

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. Please see Attachment A, filed under seal.

**RESPONSE**

Please see Attachment A, filed under seal.

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

2. The Postal Service has filed with the Commission the 2008 EMS Pay-for-Performance Plan of the EMS Cooperative. Will this same plan be in effect for 2009? Will there be any changes to the penalty provisions?

**RESPONSE**

The EMS Cooperative's Pay-for-performance Plan is normally updated each year to reflect slight modifications. Because of an administrative delay, the ballots for the 2009 Pay-for-performance Plan will not be collected, counted, and confirmed until after January 1, 2009. Most proposed changes are minor and would have little real impact. More significant changes include harmonization of previous performance-standard ranges into a single [REDACTED] threshold and a change in the maximum performance-based payment penalty [REDACTED].

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

3. In the Excel file, EMS Cost Coverage 20081118.xls, worksheet tab 03\_Lists, the Postal Service identifies EMS Cooperative members participating in the Pay-for-Performance Plan. Worksheet tab 03\_Lists identifies 44 countries/territories participating in EMS pay-for-performance. In its July 23, 2008, filing under seal, the Postal Service submitted correspondence with 32 countries/territories confirming implementation of pay-for-performance. Please confirm that the Postal Service is applying the pay-for-performance penalties and thresholds with each of the 44 countries/territories listed in EMS Cost Coverage 20081118.xls, worksheet tab 03\_Lists, and provide any correspondence confirming implementation of pay-for-performance that has been exchanged since the Postal Service's July 23, 2008, filing.

**RESPONSE**

Not confirmed. Of the 44 countries on the above-referenced list, 38 countries' postal administrations apply the Plan's penalties and thresholds with the Postal Service. The list also includes one country whose postal administration is offered low-tier prices equivalent to Pay-for-performance Plan rates because of its membership in the Kahala Posts Group, even though it does not participate in the EMS Cooperative's Pay-for-Performance Plan. Further examination indicates that the remaining 5 entries are erroneous for various reasons. The Postal Service will file a corrected list or, to the extent that other aspects of the financial workpapers are affected, corrected workpapers under separate cover. The Postal Service regrets any confusion or inconvenience this may have caused.

Copies of all correspondence confirming implementation of the Pay-for-performance Plan with other postal administrations since July 23, 2008, have already been provided to the Commission in accordance with 39 U.S.C. § 407(d)(2).

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

4. Is the Postal Service expected to apply the Pay-for-Performance Plan with any EMS Cooperative members in 2009 in addition to those listed in EMS Cost Coverage 20081118.xls, worksheet tab 03\_Lists? If so, please identify these members and when the plan is expected to become effective.

**RESPONSE**

Yes. The entire EMS Cooperative membership is eligible to apply the 2009 Pay-for-performance Plan, and the Postal Service has offered to apply the Plan with many members of the EMS Cooperative. The Postal Service does not have firm commitments from any other members at this time, except for certain posts in accordance with correspondence already provided to the Commission and filed additionally in this proceeding.

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

5. Is there a deadline for all EMS Cooperative members to apply the Pay-for-Performance Plan and, if so, when is that deadline?

**RESPONSE**

Under the current EMS Cooperative Statutes, all members of the EMS Cooperative are expected to participate in the Pay-for-performance Plan beginning January 1, 2009. It is possible, however, that some EMS Cooperative members may not be prepared to participate fully by that date.

**DOCKET NO. MC2009-10 AND DOCKET NO. CP2009-12  
RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

6. Please confirm that members of the E-Parcels Group (EPG) will apply the appropriate rates in this filing and not the rates indicated in the bilateral letters filed with the Commission on July 23, 2008.

**RESPONSE**

Confirmed. Six postal administrations – and no other EPG partners to date – have been offered alternative inbound EMS delivery rates in bilateral letters filed with the Commission on July 23, 2008. These postal administrations have not communicated their acceptance of the bilaterally offered rates, either through written confirmation or through actual billing performance. As the Postal Service noted in its July 23, 2008, Response to Order No. 84 and Notice of Filing Ongoing Inbound International Expedited Services Agreements, these EPG partners “rely instead on the terms of other arrangements, such as the EMS Cooperative.” The Postal Service knows no reason why this situation would change in the foreseeable future.