

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

COMPETITIVE PRODUCT PRICES
ROYAL MAIL INBOUND AIR PARCEL POST AGREEMENT
NEGOTIATED SERVICE AGREEMENT

Docket No. MC2009-24

COMPETITIVE PRODUCT PRICES
ROYAL MAIL INBOUND AIR PARCEL POST AGREEMENT (MC2009-24)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2009-28

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD ROYAL MAIL
INBOUND AIR PARCEL POST AGREEMENT TO THE COMPETITIVE PRODUCTS
LIST, AND NOTICE OF FILING (UNDER SEAL) CONTRACT AND ENABLING
GOVERNORS' DECISION**
(April 21, 2009)

In accordance with 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., the United States Postal Service (Postal Service) hereby requests that the Royal Mail Inbound Air Parcel Post Agreement (Agreement)¹ be added to the competitive products list within the Mail Classification Schedule (MCS). The United States Postal Service also gives notice, pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3015.5, that the Governors have established a price and classification not of general applicability for the Agreement. Accordingly, the Postal Service requests that the Postal Regulatory Commission (Commission) list this Agreement as a product on the competitive products list.

¹ The actual instrument executed between the Postal Service and the Royal Mail Group, which has been filed in this proceeding, covers both inbound and outbound Air Parcel Post. This proceeding concerns only the inbound aspects of the instrument, which consequently constitute the "Agreement" within the context of this proceeding.

Attachment 1 to this Request is the Statement of Supporting Justification of Giselle Valera, Executive Director, Global Finance and Business Analysis, pursuant to 39 C.F.R. § 3020.32. Attachment 2 is the redacted version of Governors' Decision No. 09-5. Attachment 3 is the redacted version of the Agreement. Attachment 4 is the redacted certification for the Agreement.² This current certification is the relevant certification for purposes of 39 C.F.R. § 3015.3(c)(2); the similar certification in Attachment C of the Governors' Decision is provided because it forms part of the record of the Governors' proceedings.³

I. Identification of Existing Agreement

The bilateral agreement with the Royal Mail Group (Royal Mail) for Inbound Air Parcel Post is submitted with this filing and described by the proposed MCS language, which is included as Attachment A to Governors' Decision No. 09-5. Currently, the Postal Service and Royal Mail apply the inward land rates for Air Parcel Post established by the Universal Postal Union's Postal Operations Council.⁴ This Agreement is set to take effect after the Postal Service notifies Royal Mail that all necessary approvals and reviews of the Agreement have been obtained, culminating with a favorable conclusion on review by the Commission. It is scheduled to remain in effect until terminated by the parties.

II. Confidentiality

² Unredacted copies of the Governors' Decision, the Agreement, the certification, and other supporting documentation establishing compliance with 39 C.F.R. § 3015.5 are being filed separately with the Commission under seal.

³ In other circumstances, the same certification document might serve both purposes. In this case, however, the current certification was effected to account for changes in the estimated amount of inward land rate payments in 2010, due to revisions to the payment structure under the UPU's Parcel Post Regulations that will become effective on January 1, 2010.

⁴ Universal Postal Union International Bureau Circular No. 241, "Parcel Post – Inward Land Rates Applicable from 1 January 2009," Sept. 29, 2008.

While the Commission intends to address broader confidentiality issues in the future,⁵ the Postal Service maintains that certain portions of the Agreement and the Governors' Decision, along with the related financial information, should remain confidential. The financial information and portions of the certified statement contain cost and pricing information showing how prices are developed. Contract prices 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 Royal Mail to negotiate favorable bilateral agreements in the future, both with each other and with other postal operators.

The Governors' Decision establishes the price contained in the Agreement, consistent with 39 U.S.C. § 3633(a)(1)-(3). Public disclosure of this information would seriously undermine postal management's negotiations with Royal Mail and, by extension, with other foreign 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. Specific pricing information in the Governors' Decision thus continues to merit confidential treatment.

III. Proposed Mail Classification Schedule Language

The proposed MCS language for the Agreement, included as Attachment A to Governors' Decision No. 09-5. In the Postal Service's original proposed MCS language for Inbound Air Parcel Post, bilateral agreements were included as a price category

⁵ See Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009.

within the Inbound Air Parcel Post product.⁶ For practical reasons and to reflect the Commission's ruling that each agreement or group of functionally equivalent agreements consists of a separately identifiable product,⁷ the Postal Service now proposes that the Agreement with Royal Mail be classified as such. 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."⁸

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

The Statement of Supporting Justification of Giselle Valera, Executive Director, Global Finance and Business Analysis, is included as Attachment 1 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 competitive products list.

Under 39 U.S.C. § 3642(b), the only criteria for such review are whether the product qualifies as market dominant, 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 Air Parcel Post shipments to the competitive category,⁹ and the Agreement is the instrument that implements negotiated rates for Inbound Air Parcel Post from the United Kingdom. Therefore, there is no need to ponder further whether the Agreement is market-dominant or, by dint thereof, covered within the postal

⁶ See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, Nov. 20, 2007.

⁷ PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. MC2007-1, Oct. 29, 2007, at ¶¶ 1003, 2177, 2198, 3001.

⁸ *Id.* at ¶ 4010.

⁹ *Id.* at ¶ 3030.

monopoly.¹⁰ The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed by Ms. Valera'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 competitive products list as requested.

V. *Inbound vs. Outbound Service*

In this docket, the Postal Service is presenting only an agreement to deliver Air Parcel Post in the United States for Royal Mail. The rates paid by the Postal Service to Royal Mail for delivery of the Postal Service's outbound Air Parcel Post in the United Kingdom 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 shipping customers for outbound Air Parcel Post to be delivered in the United Kingdom. An agreement with Royal Mail concerning outbound Air Parcel 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.

VI. *Conclusion*

¹⁰ Even assuming some incoming parcels tendered under this Agreement contain "letters" as defined in 39 C.F.R. Part 310, all such parcels would fall outside the Private Express Statutes because unit prices paid by Royal Mail exceed six times the rate for the first ounce of a First Class Mail letter. Presumably, private carriage of these items would also be available above this threshold. See 39 U.S.C. § 601(b)(1). In addition, most Inbound Air Parcel Post items weigh would be expected to weigh more than 12.5 ounces. See 39 U.S.C. § 601(b)(2).

For the reasons discussed, the Postal Service submits that this Agreement should be added to the competitive 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 is being sent for publication in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel, Global Business

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April 21, 2009

Statement of Supporting Justification

I, Giselle Valera, Executive Director, Global Finance and Business Analysis, am sponsoring the Request that the Commission add the Royal Mail Inbound Air Parcel Post Agreement (Agreement) filed in Docket Nos. MC2009-24 and CP2009-28 to the competitive products list for prices not of general applicability. The proposed Mail Classification Schedule (MCS) language describes the 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, 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).*

Not applicable. The Postal Service is proposing that the Agreement be added to the competitive products list.

- (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.*

Adding the Agreement to the competitive product list is consistent with the Commission's determination in Order No. 43 that Inbound Air Parcel Post is a

competitive product. The addition of this Agreement as a competitive product will enable the Commission to verify that each contract covers its attributable costs and enables competitive products, as a whole, to make a positive contribution to coverage of institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises.

- (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.*

When negotiating the Agreement, the Postal Service's bargaining position is constrained by the existence of other providers of similar services. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. The Agreement concerns the terms of exchange between the Postal Service and Royal Mail for Inbound Air Parcel Post at negotiated prices, which has been classified as competitive by virtue of its exclusion from the letter monopoly and the level of competition in the relevant market. The Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international parcel delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the Agreement is premised on prices that provide sufficient incentive for Royal Mail and its customers to tender Air Parcel Post volume to the Postal Service rather than a competitor. If the Postal Service were to raise this price, it risks losing inbound

United Kingdom-origin volume to a private competitor in the international shipping industry.

- (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.*

Even assuming some incoming parcels tendered under this Agreement might contain “letters” as defined in postal regulations, the parcels at issue here fall outside the Private Express Statutes because all prices paid by Royal Mail exceed six times the rate for the first ounce of a First Class Mail letter. In addition, most Inbound Air Parcel Post items would be expected to weigh more than 12.5 ounces.

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

See part (d) above. Private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide analogous delivery services under similar conditions.

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

The Royal Mail Group, the counter-party to the Agreement, is a foreign postal administration that desires to tender Air Parcel Post volume to the Postal Service under the terms and conditions it has negotiated with the Postal Service. This indicates that Royal Mail, as well as its end users, finds this type of product to be satisfactory, since Royal Mail and its shipping customers are aware that competitive services are provided by private enterprises. However, no specific

data are available to the Postal Service on Royal Mail's or its shipping 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.*

The market for international delivery services comparable to Inbound Air Parcel Post is highly competitive. Therefore, addition of the Agreement will likely have little, if any, negative impact upon small business concerns. By virtue of this agreement, the Postal Service is giving Royal Mail's small business customers an additional option for shipping articles to the United States. Small businesses in the United States also benefit from the ability to receive shipments that they have ordered from businesses in the United Kingdom. Thus, the net impact on small businesses is positive, because of the absence of negative impact on small business competitors and the positive impact on small businesses served by Royal Mail 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.*

Not applicable.

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR ROYAL MAIL GROUP INBOUND AIR PARCEL POST AGREEMENT (GOVERNORS' DECISION No. 09-5)

April 14, 2009

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, and such changes in classification as are necessary to implement the new prices. This decision establishes prices for the Royal Mail Group ("Royal Mail") Inbound Air Parcel Post Agreement ("Agreement"). The Agreement is described in Attachment A. Inbound Air Parcel Post consists of any parcels arriving in the United States by air transportation, as opposed to by surface. Under the Agreement, the Royal Mail may tender Air Parcel Post at negotiated prices rather than at the default prices set by the Universal Postal Union. Management's analysis of these prices and the financial data supporting them are summarized in Attachment B.

We have reviewed management's analysis and have evaluated the prices for this Agreement. The classification changes in this context are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. We approve the Agreement prices and classification changes, finding that they are appropriate and consistent with the regulatory criteria, as indicated by management.

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 accept and rely upon the certification in Attachment C that prices established for the Agreement should cover the costs attributable to it. The prices established should thus prevent a cross-subsidy from market dominant products. As noted in the certification in Attachment C, entry into this agreement should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

ORDER

In accordance with the foregoing Decision of the Governors, the prices for the Royal Mail Inbound Air Parcel Post Agreement, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. We direct management to file appropriate notice of these changes with the Postal Regulatory Commission.

Prices and classification changes established pursuant to this Decision will take effect after filing with and review by the Postal Regulatory Commission.

By The Governors:



Carolyn L. Gallagher
Chairman

Attachment A

Description of Royal Mail Inbound Air Parcel Post Agreement

2000 Competitive Product List

* * * *

International Products

* * * *

Inbound Air Parcel Post

* * * *

Royal Mail Group Inbound Air Parcel Post Agreement

This agreement governs the exchange of inbound air parcel post from the United Kingdom to the U.S. In particular, the agreement establishes inward land rates for delivery of inbound air parcel post.

Attachment B

Management Analysis of Royal Mail Group Inbound Air Parcel Post Agreement

This analysis concerns the inbound competitive price and classification in the Inbound Air Parcel Post Agreement (“Agreement”) between the Royal Mail Group (“Royal Mail”) and the United States Postal Service. Although this price differs from the rate that Royal Mail currently must pay the Postal Service under the Universal Postal Union’s (“UPU”) default rates, the bilateral prices are negotiated with Royal Mail for better cost coverage and higher contribution overall for the bilateral flows between the U.S. and the United Kingdom (“U.K.”).

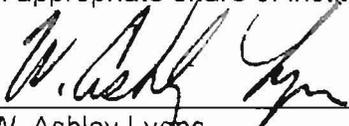
The alternative to the Agreement, which will cover the Postal Service’s costs and provide substantial contribution, is to use the rates set by the UPU Postal Operations Council according to the UPU Acts. The UPU rates do not benefit the Postal Service’s bottom line in terms of contribution or cost coverage. The benefits of this Agreement include:

- Even with a five-percent discount, the inbound competitive portion of the agreement, which covers Air Parcel Post arriving in the United States from the U.K. will provide approximately [REDACTED] cost coverage, which is sufficient to cover costs and make reasonable contribution to institutional costs.
- The combination of inbound and outbound rates in the Agreement will benefit the Postal Service’s bottom line. Because the Postal Service is a net exporter to the U.K., the positive effect of discounted rates on outbound cost coverage and contribution outweighs the effect of a rate reduction on inbound traffic.

Attachment C

Certification of Prices for the Royal Mail Group Inbound Air Parcel Post Agreement

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Air Parcel Post Agreement with the Royal Mail Group. I hereby certify that these prices, which result in a cost coverage of approximately [REDACTED] percent for the agreement, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2008, all international competitive mail accounted for approximately [REDACTED] percent of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The Royal Mail Inbound Air Parcel Post Agreement 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. 09-5**

I hereby certify that the Governors voted on adopting Governors' Decision No. 09-5, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 4-14-09

SENSITIVE BUSINESS INFORMATION

**ROYAL MAIL GROUP – UNITED STATES POSTAL SERVICE
CONTRACTUAL BILATERAL AGREEMENT**

This Agreement is between the United States Postal Service ("USPS"), an independent establishment of the executive branch of the Government of the United States, and Royal Mail Group Limited ("Royal Mail"), a company registered in England and Wales (No. 4138203) with a registered office at 148 Old Street, London EC1V 9HQ. The USPS and Royal Mail may be referred to individually as a "Party" and together as the "Parties."

INTRODUCTION

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the Parties will provide each other certain products and/or services pursuant to the terms and conditions contained herein;

WHEREAS, the Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of and/or non-objection by various entities with oversight responsibilities, which may include but not be limited to the USPS management's executive committee, the USPS Governors, and/or the Postal Regulatory Commission. Accordingly, Royal Mail acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Article 2 and 3 shall apply;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement as well as the terms of Article 3 of this Agreement entitled: "Conditions Precedent";

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

Article 1: Purpose of the Agreement

The purpose of this contractual bilateral Agreement is to support the retention and growth of Airmail Parcel Post ("Air CP") traffic between the United Kingdom of Great Britain and Northern Ireland ("United Kingdom") and the United States.

Article 2: Term

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in Article 3 below. Upon execution of this Agreement, USPS shall seek such approval, and this Agreement shall come into effect upon all such approval having been obtained by USPS and notification to Royal Mail by USPS that all such approvals have been obtained, and the date of notification shall be "the Effective Date". The USPS will, upon Royal Mail's request, keep Royal Mail reasonably informed of the approval process's progress. The Agreement will remain in effect from the Effective date until terminated pursuant to Article 12.

Article 3: Conditions Precedent

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter "Conditions Precedent") one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission and/or any other

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governmental body with oversight responsibility for the USPS. The Parties acknowledge that the Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or Royal Mail and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs and upon such occurrence the Condition precedents shall have been fulfilled.

Article 4: Limitation on Liability and Costs

In the event that the Conditions Precedent are not fulfilled, the USPS and Royal Mail shall have no liability, which shall include no obligation to pay costs associated with any action taken by Royal Mail prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, the USPS shall not be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and /or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Article 5: Services and Prices

1. As of January 1, 2009, the USPS's and Royal Mail's inward land rates will be as specified in Universal Postal Union ("UPU") International Bureau Circular No. 241 of September 29, 2008. Royal Mail's inward land rates are set at 8.04 Special Drawing Rights ("SDR") per item and 1.49 SDR per kilogram. The USPS's inward land rates are set at 4.67 SDR per item and 1.93 SDR per kilogram.
2. [REDACTED]
3. [REDACTED]
4. [REDACTED]
5. Royal Mail and USPS will use existing methods to settle Air CP delivery charges, provided that the Parties will settle such charges on a monthly basis when both Parties' respective information technology systems are capable of doing so.
6. The Parties also confirm their adherence to all other terms and conditions relating to the exchange of Air CP items as set forth in the UPU Parcel Post Manual.

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Article 6: Monetary Transactions

1. Each Party will bear the costs and retain the revenues for any work performed by itself and by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 8 below.
2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 8 below.

Article 7: Entire Agreement

This Agreement and those other documents or portions of documents expressly incorporated into this Agreement by reference constitute the entire Agreement between the parties for Air CP services. No representations, negotiations, or conditions either oral or written, shall bind the Parties except as expressly set out in this Agreement. Any matters not provided in this Agreement shall continue to be governed by the rules that otherwise apply to such matters, including, but not limited to, any applicable provisions of the UPU Parcel Post Manual.

Article 8: Amendment

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of Royal Mail and USPS. Neither a Party's acquiescence in any performance at variance to this Agreement, nor a Party's failure to exercise any right or enforce any obligation shall be deemed an amendment to this instrument. Any amendment may be contingent upon any and all necessary approvals or non-objection by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission and/or any other governmental body with oversight responsibility for the USPS. If such approvals are required, the amendment will not become effective until such time as all necessary approvals are obtained.

Article 9: Assignment

This Agreement may not be assigned in whole or in part by any Party without the prior written consent of the other party. Each Party may, however, delegate certain of its responsibilities under this Agreement to a subsidiary or other affiliate entity within its organizational structure without the need for consent by the other Parties so long as such subsidiary or entity would be bound by this Agreement.

Article 10: Legal Status of the Agreement

Each of the Parties acknowledges that this Agreement sets out the provisions of a negotiated commercial arrangement between them and is not an agreement entered into or subject to international law. This Agreement is only binding on Royal Mail and the USPS. This Agreement does not involve the creation of a wholly-owned subsidiary of any Party or a joint venture company or partnership funded in any ratio by the parties. The Parties do not intend that any agency or partnership relationship be created between any of them by this Agreement.

Article 11: Force Majeure

Neither Party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including, without limitation, acts of God; fires; floods; wars; sabotage; accidents; labor disputes or shortages; governmental laws, ordinances, rules and

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regulations, whether valid or invalid; court or regulatory authority orders, whether valid or invalid; inability to obtain material, equipment, or transportation; and any other contingency.

Article 12: Termination

Either Party may terminate without cause this Agreement with 30 days advance written notice to the other Party. The Agreement may also be terminated by either Party unilaterally and immediately upon notice to the other Party that one or both Parties is unable to continue the Agreement, which shall be determined in the reasonable discretion of such terminating Party. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. In the event of termination, the Parties shall revert to the published UPU rates effective at the time of such termination, and neither Party shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason.

Article 13: Applicability of Other Laws

1. The USPS warrants that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. § 601 et seq.).
2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement and in this respect the provisions of Article 2 apply..
3. The Parties understand that the USPS may be required to provide copies of this Agreement to the United States Department of State and the Postal Regulatory Commission.

Article 14: Dispute Resolution

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.
2. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree to refer that controversy to mediation, which shall consist of an informal, nonbinding conference or conferences between the Parties and the mediator. The mediator will be selected as mutually agreed by the Parties.
3. With the exception of controversies concerning cost or revenue liability, mediation will provide the sole means for addressing controversies related to this Agreement. If mediation does not resolve such a controversy, the Parties may exercise their right to terminate.
4. For controversies related to cost or revenue liability, Royal Mail and the USPS will first refer the matter to mediation as discussed in the above paragraph. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia. The parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia and waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the Parties.

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5. Notwithstanding the provisions of this Article 14, and without prejudice to Article 16.1, in the event of conflict or inconsistency between the provisions of this Article 14 and Article 16.1, the provisions of Article 16.1 shall prevail.

Article 15: Construction

Except as otherwise provided in this Agreement, this Agreement shall be governed by and construed in accordance with the Federal law of the United States.

Article 16: Indemnification and Liability

1. All liability and indemnification related to the delivery of items contemplated under this Agreement shall be governed by the rules of the UPU Parcel Post Manual, which shall include but not be limited to the Section K of such Manual.
2. Except for liability and indemnification as described in the above paragraph and final settlement, no Party to this Agreement shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, including, but not limited to, breach of any term of this Agreement or negligence.
3. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

Article 17: Language

The official version of this Agreement, including all supporting documentation and correspondence, shall be in English. The English language shall be the controlling language for the purpose of interpreting this Agreement, and all correspondence between the Parties pertaining to this Agreement shall be in the English language. In the event of inconsistency between any terms of this Agreement, including its supporting documentation and correspondence, and any translation into another language, the English language meaning shall control.

Article 18: Confidentiality Requirements

The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law.

Article 19: Survival

The provisions of Articles 3, 4, 6, 10, 12, 13, 14, 15, 16, 17, 18, 19, and 20 shall survive the conclusion or termination of this Agreement.

Article 20: Severability

If any of the provisions of this Agreement shall be held void or unenforceable, the other provisions shall survive and remain in full force and effect, subject only to either Party's unilateral right to terminate the Agreement.

Article 21: Notices

Any notice or other document to be given under this Agreement will be in writing and addressed as set out below. Notices may be delivered by hand, email, or Express Mail.

SENSITIVE BUSINESS INFORMATION

To the USPS:

Managing Director, Global Business, and Vice President
United States Postal Service
475 L'Enfant Plaza SW, Room 4016
Washington, DC 20260-4016
Pranab.m.shah@usps.gov

To Royal Mail:

Managing Director, Parcelforce Worldwide
Royal Mail Group Ltd
Solaris Court, Davy Avenue
Milton Keynes
MK5 8PP
David.y.smith@parcelforce.co.uk

IN WITNESS WHEREOF, the Parties agree to be bound as of the latest date of signature to the terms and conditions of this Agreement.

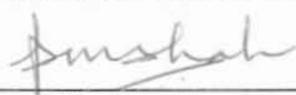
Royal Mail Group Limited



David Smith
Managing Director
Parcelforce Worldwide

25. 2 . 09
Date

United States Postal Service

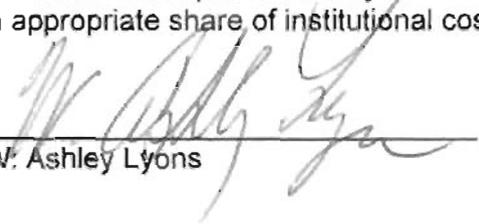


Pranab Shah
Managing Director, Global Business,
and Vice President

MARCH 2, 2009
Date

Certification of Prices for the Royal Mail Group Inbound Air Parcel Post Agreement

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Air Parcel Post Agreement with the Royal Mail Group. I hereby certify that these prices, which result in a cost coverage of approximately [REDACTED] percent for the agreement, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2008, all international competitive mail accounted for approximately [REDACTED] percent of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The Royal Mail Inbound Air Parcel Post Agreement should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



W. Ashley Lyons