

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

COMPETITIVE PRODUCT PRICES
DIRECT ENTRY PARCELS, HARMONIZATION SERVICE, AND
INTERNATIONAL RETURN SERVICE
NEGOTIATED SERVICE AGREEMENTS

Docket No. MC2009-26

COMPETITIVE PRODUCT PRICES
DIRECT ENTRY PARCELS CONTRACT (MC2009-26)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2009-36

**REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD DIRECT ENTRY
PARCELS CONTRACTS, INTERNATIONAL RETURN SERVICE, AND
HARMONIZATION SERVICE TO THE COMPETITIVE PRODUCTS LIST, AND
NOTICE OF FILING (UNDER SEAL) OF CONTRACT AND ENABLING
GOVERNORS' DECISION**
(June 11, 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 Direct Entry Parcels (DEP) Contracts, International Return Service, and Harmonization Service be added to the competitive products list within the Mail Classification Schedule (MCS). The United States Postal Service also gives notice, pursuant to 39 C.F.R. § 3015.5, that the Postal Service has entered into a DEP Contract with a customer. Finally, the Postal Service gives notice, pursuant to 39 U.S.C. § 3632(b)(3) and 39 C.F.R. § 3015.5, that the Governors have established prices and classifications not of general applicability for the three products.¹ Accordingly, the Postal Service requests that the Postal Regulatory

¹ The Governors' Decision establishes prices and classifications for Direct Entry Parcels Contracts. It also establishes prices and classifications for both Harmonization Service and International Return Service, which serve as ancillary services for the parcel service offered under DEP contracts. For convenience, when referring to DEP contracts, the Postal Service intends the panoply of services offered for DEP to include the service itself, along with Harmonization Service and International Return Service.

Commission (Commission) list this DEP Contract, together with any subsequent functionally equivalent DEP Contracts, as one product on the competitive products list.²

Attachment 1 to this Request is the Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, pursuant to 39 C.F.R. § 3020.32. Attachments 2 and 3 are the redacted versions of Governors' Decision No. 09-7 and the relevant contract, respectively. Attachment 4 is the redacted certification for the DEP Contract.³

Identification of Existing DEP Contracts

One DEP Contract is submitted with this filing, and its terms fit within the proposed MCS language for DEP Contracts, included as Attachment A-1 to Governors' Decision No. 09-7. The DEP Contract includes International Return Service and Harmonization Service as optional features, both of which, in the context of the contract, fit within the proposed MCS language in Attachments A-2 and A-3 of the Governors' Decision, respectively. The Direct Entry Parcel service offered in the contract entails mail acceptance within the United States, transportation to a receiving country of parcels bearing the appropriate foreign indicia, transportation to customs within the receiving country, customs clearance and prepayment of customs duties and taxes to the receiving country. International Return Service offers customers the option to have refused or undeliverable items returned from the foreign country. Harmonization Service offers review of outbound items by a licensed customs broker and the broker's assignment of Harmonized Tariff Schedule codes to facilitate assessment of customs

² See PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9, and CP2008-10, June 27, 2008, at 8 (applying standards for the filing of functionally equivalent contracts).

³ Unredacted copies of these materials and other supporting documentation establishing compliance with 39 C.F.R. § 3015.5 are being filed separately with the Commission under seal.

duties. The latter two services will only be offered through customized agreements, particularly through DEP Contracts like this one. This agreement is set to expire one year after the Postal Service notifies the customer that all necessary approvals and reviews of the agreement have been obtained, culminating with a favorable conclusion on review by the Commission.

Confidentiality

While the Commission intends to address broader confidentiality issues in the future,⁴ the Postal Service maintains that the DEP Contract, related financial information, the name of the DEP customer, certain portions of the certified statement required by 39 C.F.R. § 3015.5(c)(2), and certain portions of the Governors' Decision should remain confidential. The contract contains pricing and other information related to mailer and Postal Service processes and procedures for handling the mail tendered under the contract. Related financial information and portions of the certified statement contain 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. The ability of the Postal Service to negotiate individual contracts would be severely compromised if prices and other information pertaining to these types of agreements were publicly disclosed. Public disclosure would also compromise the shipper's ability to negotiate favorable shipping services contracts in the future. Names of customers should remain confidential due to the substantial

⁴ See PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009.

likelihood that the Postal Service's competitors would use such information to target their efforts and undercut the Postal Service's prices.

The Governors' Decision authorizes management to execute contracts containing prices that fall within a range determined by formulas that the Governors have established, producing results that comply with 39 U.S.C. § 3633(a)(1)-(3). Public disclosure of these formulas and related information would seriously undermine postal management's leverage in negotiations with customers. This pricing 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 specific information about price calculations in the Governors' Decision thus continues to merit confidential treatment.

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

The Statement of Supporting Justification of Frank Cebello, Executive Director, Global Business Management, 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 DEP Contract 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. First, the DEP Contracts at issue here are intended for merchandise items outside of the definition of "letters" or otherwise not subject to the Private Express Statutes. Second, the PAEA clearly requires that bulk international mail be classified as competitive. In undertaking to classify postal products

as market dominant or competitive, the Commission proposed “to define bulk international mail[, including individual international NSAs,] by reference to bulk commercial services, which may be satisfied by volume commitments or other types of annual guarantees.”⁵ Other factors supporting “bulk” status include the user’s volume profile and whether the service is available to individual retail customers.⁶ Here, DEP Contracts are tied to revenue or volume guarantees. Even though the senders of DEP items may transmit individual pieces, the customer for the instant DEP Contract is a high-volume user in terms of its receipt of DEP items. Finally, Direct Entry Parcel, Harmonization, and International Return services are only available through contracts. Retail customers may not engage the Postal Service for direct entry-type mailing of such items. Thus, even if pieces under the contract are mailed individually, that should not change the fact that the DEP Contract customer has agreed to compensate the Postal Service for a bulk volume of DEP items.

Therefore, there is no need to ponder further whether DEP Contracts, as defined by the proposed MCS language, are market-dominant or, by dint thereof, covered within the postal monopoly. The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed by Mr. Cebello’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.

⁵ See PRC Order No. 26, Order Proposing Regulations to Establish a System of Ratemaking, August 15, 2007, at 54. See *also* PRC Order No. 112, Order Concerning Global Plus 2 Negotiated Service Agreements, October 3, 2008, at 7 (agreeing with the Postal Service that Global Direct is a competitive “bulk” service because it “imposes minimum annual volume or revenue requirements on [customers]”).

⁶ PRC Order No. 112 at 7.

Conclusion

For the reasons discussed, the Postal Service believes that this DEP Contract 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:

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Chief Counsel, Global Business

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June 11, 2009

Statement of Supporting Justification

I, Frank Cebello, Executive Director, Global Business Management, am sponsoring the Request that the Commission add the Direct Entry Parcels (DEP) Contract filed in Docket Nos. MC2009-26 and CP2009-36 to the competitive products list for prices not of general applicability. The proposed Mail Classification Schedule (MCS) language for DEP Contracts describes the requirements for this type of contract. 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 DEP Contract be added to the competitive products list. Subsequently executed functionally equivalent contracts would be added to the list as price categories under the DEP Contracts listing.

- (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 this DEP Contract to the competitive product list will improve the Postal Service's competitive posture, while enabling the Commission to verify that each contract covers its attributable costs and makes a positive contribution to coverage of institutional costs. This contract, along with each contract that is functionally equivalent to this contract, will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs paid for by competitive products. 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.*

DEP Contracts are for U.S.-based entities that seek a channel to send merchandise or other articles to their overseas customers in packaging that has the "look and feel" of domestic items in the destination country. This is comparable to the previously-established Global Direct service, albeit in connection with parcel-type items rather than letter-type items. In general, DEP Contracts will include features whereby the Postal Service engages a licensed customs broker to review items for proper Harmonized Tariff Schedule classification (Harmonization Service), and whereby the Postal Service arranges the return of undeliverable or refused items (International Return Service).

When negotiating DEP Contracts, 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. These contracts concern the transmission of parcel items bearing the destination country's domestic indicia, and the Commission has already recognized the competitive nature of outbound parcel services, as well as of outbound direct entry service in connection with Letter Post items. The Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the contracts are premised on prices that provide sufficient incentive for customers to ship with the Postal Service rather than a competitor. If the Postal Service were to raise these prices, it risks losing these customers 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.*

As defined in the proposed Mail Classification Schedule language established by the Governors, DEP Contract items consist of Parcel Post items that fall outside the ambit of the Private Express Statutes. Any "letters" as defined by 39 C.F.R. § 310.1(a) inserted in DEP parcels would almost certainly fall within the exception to the Private Express Statutes at 39 C.F.R. § 310.3(a)

for letters accompanying and relating to cargo, as incorporated by 39 U.S.C. § 601(b)(3).

- (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.*

As discussed in part (d) above, the customer for this DEP Contract is a business that desires an option for sending merchandise abroad by mail with the postal indicia of the destination country, along with professional customs preparation and return service. The fact that the customer executed the contract for this service shows indicates that this customer finds this type of product to be preferable to similar products offered by the Postal Service's competitors. This customer is presumably aware that competitive services are provided by other entities. However, no specific data are available to the Postal Service on DEP customer views regarding the regulatory classification of these contracts.

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

The market for international delivery services comparable to DEP is highly competitive. Therefore, addition of DEP Contracts will likely have little, if any, impact upon small business concerns. Large shipping companies, consolidators,

and freight forwarders serve this market, particularly with respect to the type of customers represented by these DEP contracts; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes.

By offering DEP contracts, the Postal Service is giving small businesses an additional option for shipping articles internationally, beyond the services offered by competitors. 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 the small businesses that will have these services available.

- (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.*

The customer eligibility criteria contained in the proposed MCS language for DEP contracts are consistent with those proposed for the previously filed customized agreement product classifications. DEP customers must be capable on an annualized basis of tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service, and a customer need not tender all of its qualifying mail to the Postal Service. As with other customized agreements, each DEP contract must cover its attributable costs.

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DIRECT ENTRY PARCELS CONTRACTS, INTERNATIONAL RETURN SERVICE OFFERED WITH CUSTOMIZED AGREEMENTS AND HARMONIZATION SERVICE OFFERED WITH CUSTOMIZED AGREEMENTS (GOVERNORS' DECISION NO. 09-7)

June 10, 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 by setting price floor and price ceiling formulas for Direct Entry Parcels contracts and for two optional services offered with such contracts: International Return Service and Harmonization Service.¹ The Direct Entry Parcels Contracts to which these prices will apply are described in Attachment A-1,² the International Returns Service Offered with Customized Agreements is described in Attachment A-2 and the Harmonization Service Offered with Customized Agreements is described in Attachment A-3.³ The price floor and price ceiling formulas are specified in Attachments B-1, B-2 and B-3, respectively, and management's analyses of the appropriateness of these formulas are explained in Attachments C-1, C-2 and C-3. We have reviewed those analyses and have concluded that the prices emerging from application of the formulas and the classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts that fall within the terms specified in Attachment -1, and whose prices fall within the price ranges established by the price floor and price ceiling formulas specified in Attachment B-1, are

¹ While International Return Service and Harmonization Service will be available as optional features to customers who enter into Direct Entry Parcels Contracts, they may also be made available in the future as optional features with other customized agreements. Accordingly, we are establishing separate prices and separate classifications for International Return Service Offered with Customized Agreements and Harmonization Service Offered with Customized Agreements.

² Because the Postal Service is creating a new grouping for Direct Entry Parcels Contracts, entirely new Mail Classification Schedule language is proposed.

³ New Mail Classification Schedule language also is proposed for the two optional services.

hereby authorized. We also authorize the International Return Service and the Harmonization Service as described in Attachments A-2 and A-3, and whose prices fall within the price ranges established by the price ceiling and price floor formulas specified in Attachments B-2 and B-3.

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-1, B-2 and B-3 would be appropriate for the services covered by the types of Direct Entry Parcels Contracts classified in Attachment A-1, the International Return Service classified in Attachment A-2 and the Harmonization Service classified in Attachment A-3. Management's analyses of the formulas, included as Attachments C-1, C-2 and C-3, support our decision to establish prices through such formulas.

We are satisfied that the prices established by the formulas in Attachments B-1, B-2 and B-3 meet the applicable statutory and regulatory requirements. The price floor formulas provide greater than 100 percent coverage of the costs attributable to each of these types of agreements and to the optional service. 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 formulas provide that [REDACTED]

This multiplier produces a price that should cover attributable costs and provide a contribution toward the Postal Service's institutional costs. The formulas should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment D, entry into agreements or provision of optional services 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 or provision of the optional services 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 and any other rules that the Commission deems applicable. The notice must include a financial analysis that demonstrates that the

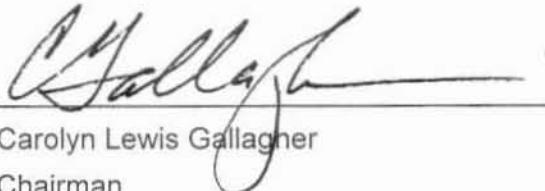
agreement and optional services cover attributable costs, based on [REDACTED] [REDACTED] Attachments B-1, B-2 and B-3. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement or the optional services are appropriate, in that they represent the best available information and that the agreement or optional service 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.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Direct Entry Parcels Contracts, International Return Service and Harmonization Service, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement or provision of the optional service(s) 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 executed or the optional service is to be provided, the Postal Service shall comply with all applicable statutory and regulatory requirements.

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

By The Governors:


Carolyn Lewis Gallagher
Chairman

Attachment A-1

Description of Applicable Direct Entry Parcels Contracts

2610.8 Direct Entry Parcels Contracts

2610.8.1 Description

- a. Direct Entry Parcels Contracts provide rates for mail acceptance within the United States, transportation to a receiving country of parcels bearing the appropriate foreign indicia, transportation within the receiving country, and customs clearance and prepayment of customs duties and taxes to designated countries.
- b. The preparation requirements are the preparation requirements for the given product set by the receiving country. All items must bear the postal imprint of the receiving country and a return address in the receiving country.
- c. The mailer is required to use USPS-supplied labeling software, or non-USPS labeling software that has the same functionality as the USPS-supplied labeling software. The software allows for preparation of address labels and customs declarations and for electronic submission of customs duties, taxes, and pre-advice by the Postal Service.
- d. To qualify, a mailer must be capable, on an annualized basis, of either tendering at least 5,000 pieces of international mail to the Postal Service or paying at least \$100,000 in international postage to the Postal Service.
- e. The contract must cover its attributable costs.
- f. Direct Entry Parcels items are either sealed or not sealed against inspection, as specified by customer contract. If the contract is silent, then such mail is not sealed against inspection.

2610.8.2 Size and Weight Limitations

Size and weight requirements are the requirements for the given product set by the receiving country.

2610.8.3 Minimum Volume or Revenue Requirements

Mailers must commit to tender varying minimum volumes or postage on an annualized basis. The mailer is required to meet the minimum volume or weight requirements in effect for manifest mailing. The mailer may also be required to meet other minimum volume or weight requirements as specified by the Postal Service.

2610.8.4 Price Categories

The following price categories are available for the product specified in this section:

- Prices are dependent upon a volume or postage commitment on the part of the customer and basically cover mail acceptance within the United States and transportation to a receiving country of parcels bearing the appropriate foreign indicia, transportation with the receiving country, customs clearance and prepayment of customs duties and taxes to designated countries.

2610.8.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- All optional features applicable to the product as set by the receiving country.
- International Ancillary Services Offered with Customized Agreements
 - International Return Service (2610.9)
 - Harmonization Service (2610.10)

2610.8.6 Products Included in Group (Agreements)

- Direct Entry Parcels 1 (MC2009-X, CP2009-X)

Attachment A-2

Description of International Return Service Offered with Customized Agreements

2610.9 International Return Service

International Return Service provides customers with the option on having mailed items returned from a foreign country either because the item is opened and returned by the addressee, is refused by the addressee or is undeliverable. This service is provided through a third party vendor in the foreign country. This service is available only with a customized agreement and any requirements for the service are detailed in the agreement.

Fees: Set by the agreement.

Attachment A-3

Description of Harmonization Service Offered with Customized Agreements

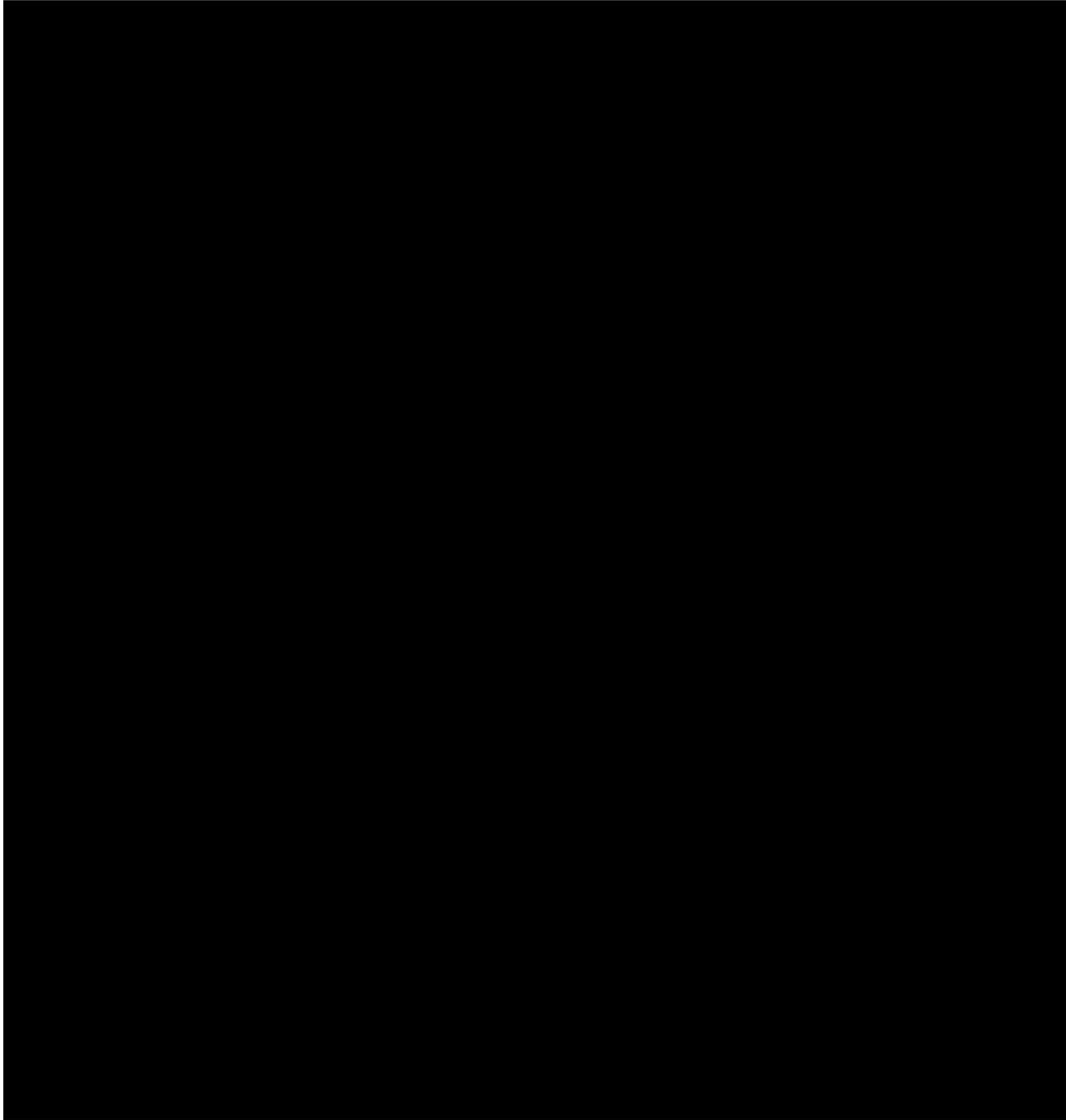
2610.10 Harmonization Service

Harmonization Service provides customers with the option of having items to be mailed overseas reviewed by a licensed customs broker. The licensed customs broker assigns a Harmonized Tariff Schedule code to each item prior to mailing for purposes of determining the amount of duty to be assessed on the items. This service is available only with a customized agreement and any requirements for the service are detailed in the agreement.

Fees: Set by the agreement.

Attachment B-1

Formulas for Prices Under Applicable Direct Entry Parcels Contracts



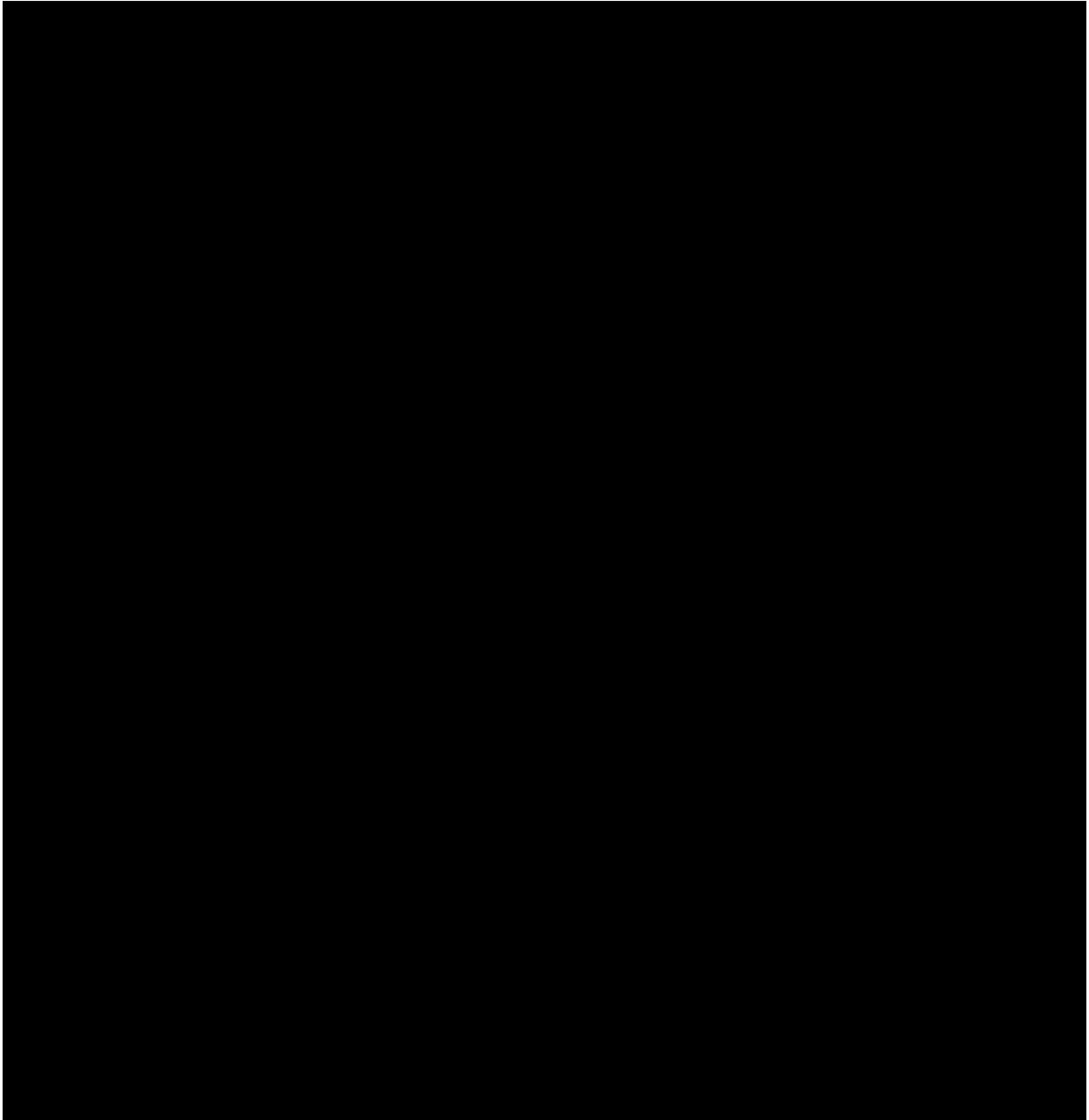
Attachment B-2

Formulas for Prices Under International Return Service Offered with Customized Agreements



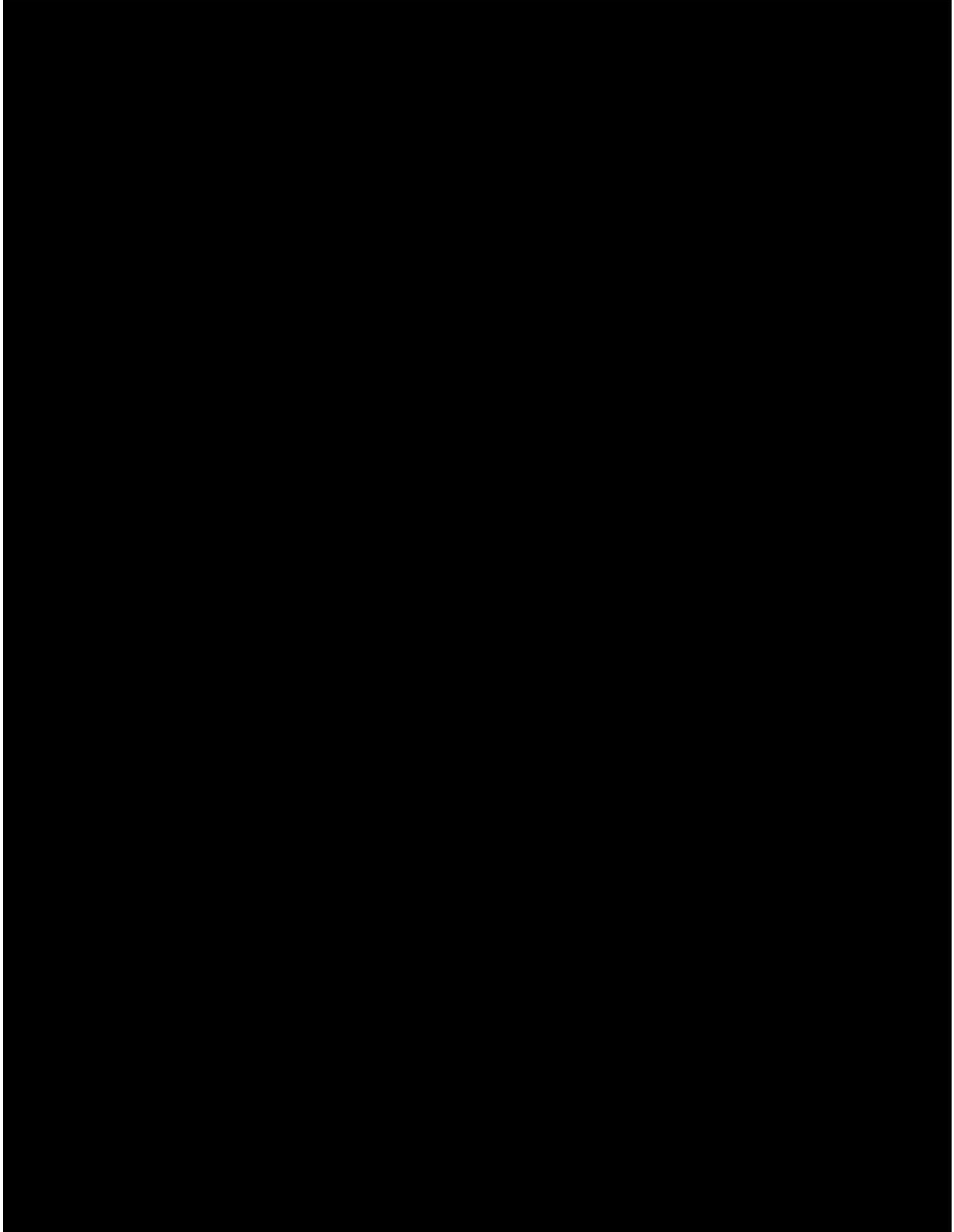
Attachment B-3

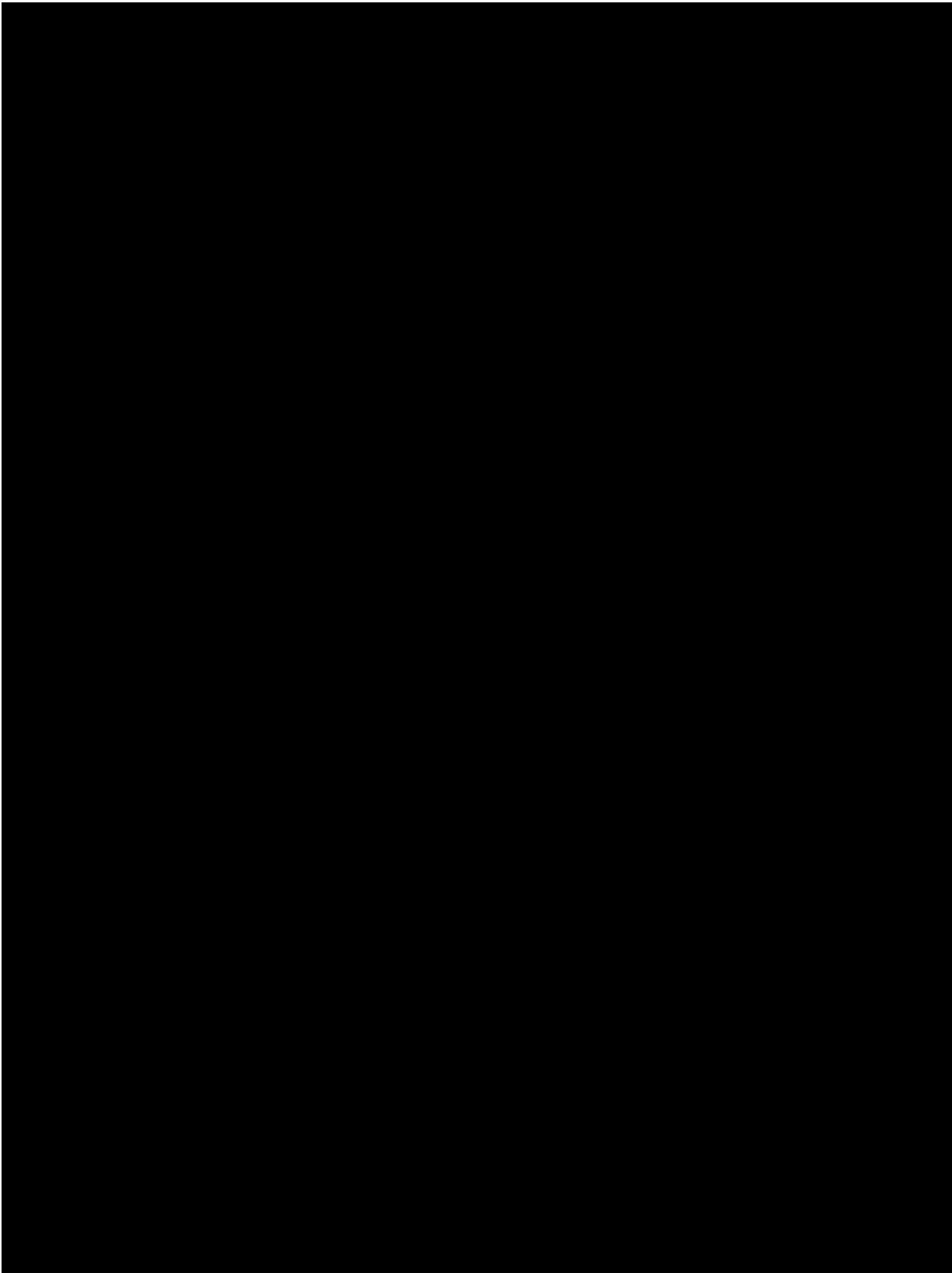
**Formulas for Prices Under Harmonization Service Offered with Customized
Agreements**



Attachment C-1

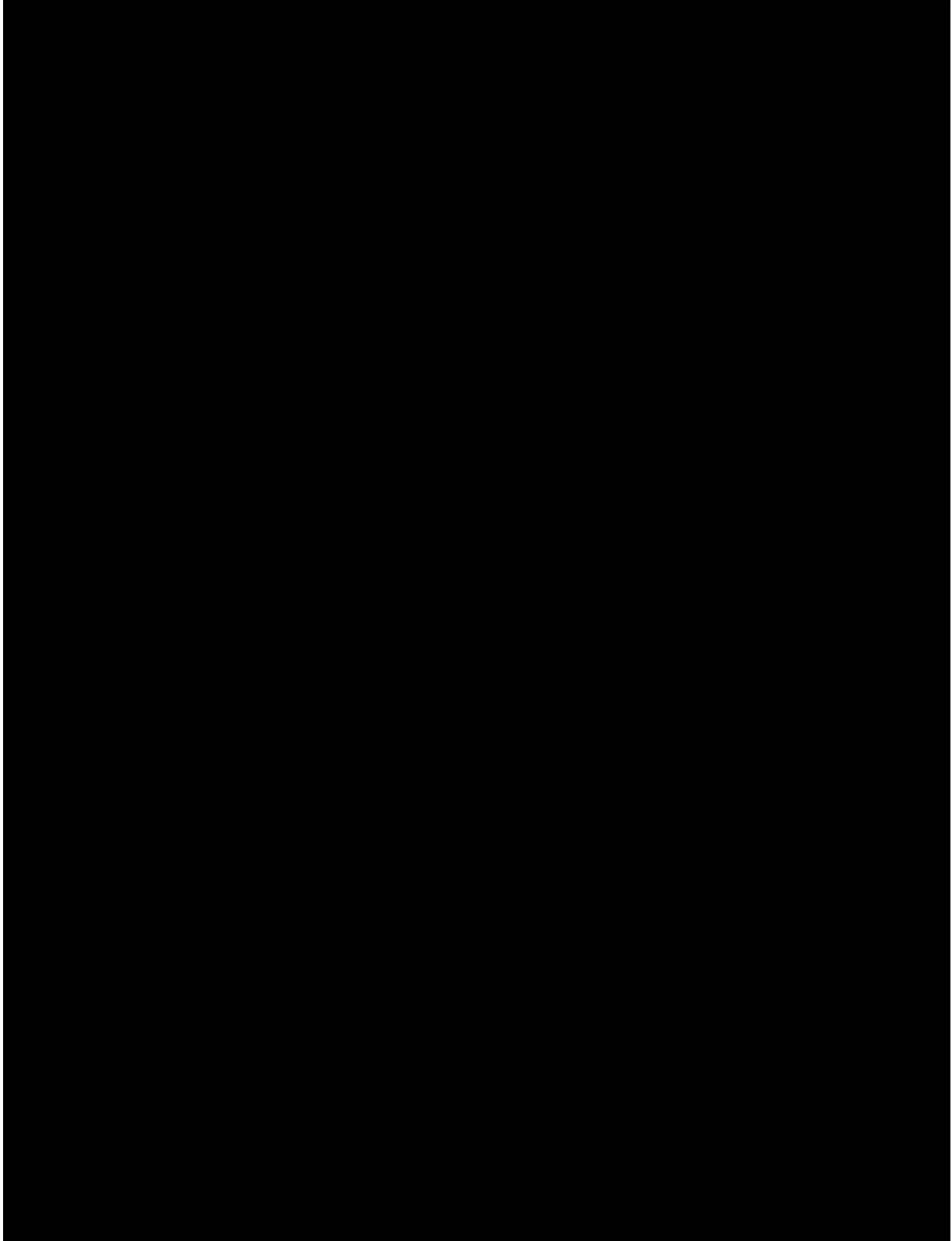
Analysis of the Formulas for Prices Under Direct Entry Parcels Contracts

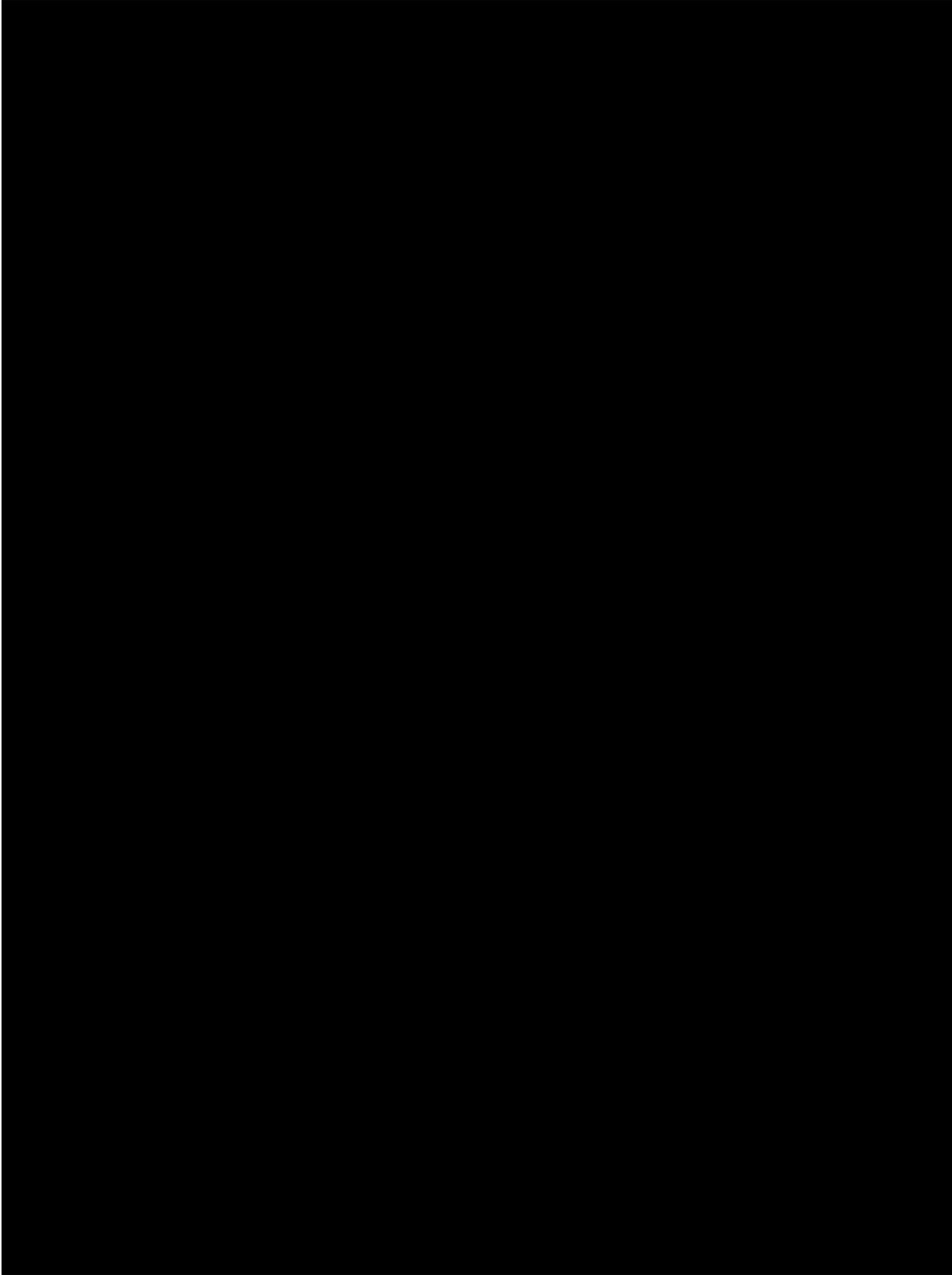




Attachment C-2

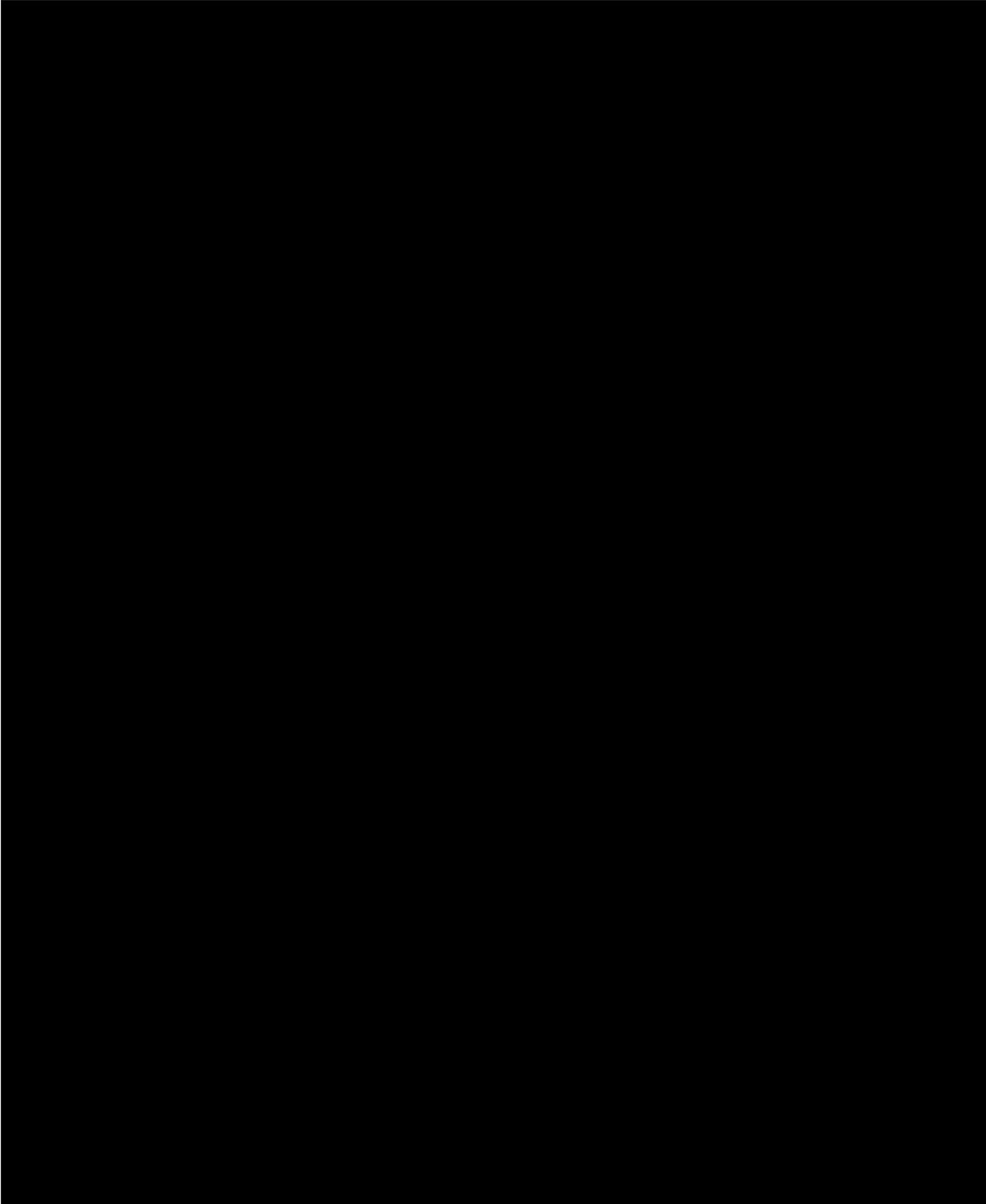
Formulas for Prices Under International Return Service Offered with Customized Agreements

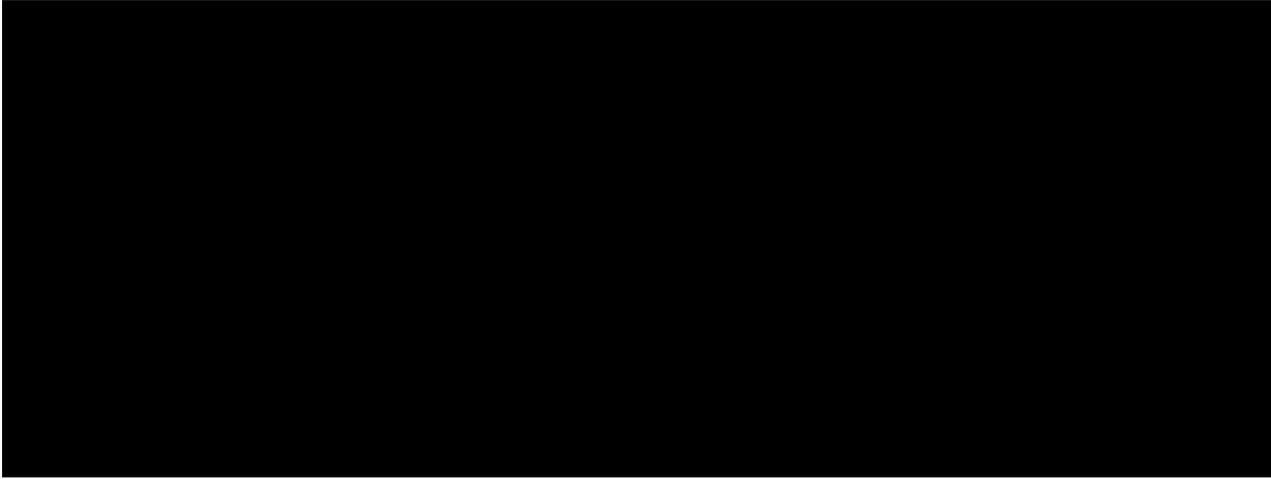




Attachment C-3

**Formulas for Prices Under Harmonization Service Offered with Customized
Agreements**



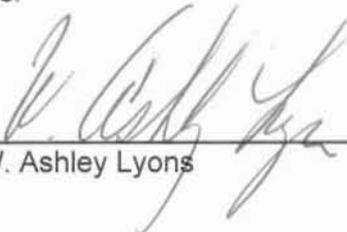


Attachment D

**Certification as to the Formulas for Prices Offered Under Applicable Direct Entry
Parcels Contracts, International Return Service Offered with Customized
Agreements, and Harmonization Service Offered with Customized Agreements**

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the price floor formulas and price ceiling formulas for Direct Entry Parcels Contracts, which are set forth in Attachment B-1; International Return Service, which are set forth in Attachment B-2; and Harmonization Service, which are set forth in Attachment B-3.

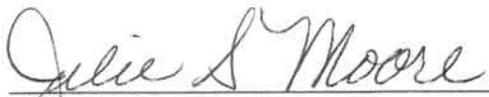
I hereby certify that these formulas adequately represent all necessary cost elements. If the Postal Service were to enter into agreements and offer services that set prices above the price floors, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formulas are designed to ensure that each agreement and service 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 Direct Entry Parcels Contracts, International Return Service Offered with Customized Agreements and Harmonization Service Offered with Customized Agreements should be much smaller. Even if all the agreements for Direct Entry Parcels Contracts are signed at the price floor and prices charged for International Return Service Offered with Customized Agreements and Harmonization Service Offered with Customized Agreements are set 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. 09-7**

I hereby certify that the Governors voted on adopting Governors' Decision No. 09-7, 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: 6-10-09

**GLOBAL CUSTOMIZED MAIL AGREEMENT BETWEEN
THE UNITED STATES POSTAL SERVICE AND**

[REDACTED]

This Agreement (“Agreement”) is between [REDACTED] (“Mailer”), with offices at [REDACTED], and the United States Postal Service (“USPS”), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L’Enfant Plaza SW, Washington, DC 20260-9998. The Mailer and the USPS 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 USPS will provide certain products and/or services to the Mailer 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 various entities with oversight responsibilities, which may include but not be limited to the USPS management’s executive committee, the USPS Governors, the USPS Pricing Steering Committee, and/or the Postal Regulatory Commission. Accordingly, the Mailer acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur;

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 Exhibit A of this Agreement entitled: ADDITIONAL AND SUPERSEDING TERMS AND CONDITIONS TO THIS AGREEMENT INCORPORATED BY REFERENCE;

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

ARTICLE 1. PURPOSE OF THE AGREEMENT

This Agreement shall govern the use the Mailer may make of customized mail service for Direct Entry Parcels, Harmonization Service, and International Return Service. The use of all other USPS products and services shall be governed by the appropriate USPS regulations.

ARTICLE 2. DEFINITIONS

As used in this Agreement:

1. "IMM" means the *International Mail Manual* as found on the USPS website USPS.com on the date of mailing.
2. "DMM" means the *Domestic Mail Manual* as found on the USPS website USPS.com on the date of mailing.
3. "Qualifying Mail" means mail that meets the requirements set forth in Article 3 of this Agreement.
4. "Non-Qualifying Mail" means mail that does not meet the requirements set forth in Article 3 of this Agreement.
5. "Effective Date" means the first date on which the USPS is willing to accept Qualifying Mail.
6. "Direct Entry Parcels" means items for which the USPS pays Customs duties and taxes on behalf of the Mailer under the terms of Article 11 to this Agreement. When in USPS custody, Direct Entry Parcels are not sealed against inspection under U.S. law.
7. "International Return Service" means the return of unopened Direct Entry Parcels that are refused or that are undeliverable and the return of Direct Entry Parcels that have been opened and resealed.
8. "Harmonization Service" means the process of classifying merchandise according to country specified Customs regulations to determine applicable duties and taxes.
9. "Classification" means assigning a harmonization code.
10. "Customs Clearance" means the process of having a commercial customs broker clear mail through Customs in the destination country.

ARTICLE 3. QUALIFYING MAIL

Only mail that meets the requirements set forth on the Canada Post Corporation Website <http://www.canadapost.ca/tools/PG/manual/pgxpresspt-e.asp> for Xpresspost shall be considered as Qualifying Mail under this Agreement except as those requirements conflict with the applicable specific preparation requirements set forth in Article 5.

ARTICLE 4. NON-QUALIFYING MAIL

The USPS, at its option and without forfeiting any of its rights under this Agreement, either may refuse to accept Non-Qualifying Mail or may accept Non-Qualifying Mail at the applicable published prices.

ARTICLE 5. SPECIFIC PREPARATION REQUIREMENTS

1. Mailings of Qualifying Mail must be kept separate from any other type of mail the Mailer tenders.
2. All items must be presented to the USPS in USPS trays or other USPS approved equipment.
3. International mailings must be separated from domestic mailings.
4. The mailing must be accompanied by a postage manifest.

ARTICLE 6. OBLIGATIONS OF THE USPS

The USPS hereby agrees:

1. Training. To provide the Mailer, or its agent(s), with any training necessary to prepare mail shipments in conformity with the requirements for Qualifying Mail.
2. Supplies. To furnish the Mailer, or its agent(s), with the postal equipment and postal supplies required for the use of Qualifying Mail.
3. Technical Assistance. To provide the Mailer with technical assistance necessary to prepare the necessary information linkages, electronic data files, and data exchanges.
4. Reports. To provide the Mailer with access to tracking reports via Global Shipping Software (GSS) website access in the event the Mailer chooses to use Global Shipping Software (GSS).
5. Transportation. To arrange with carriers to transport Qualifying Mail to international destinations where the proper authority will effect delivery.
6. Customs Notification. To send an electronic data file for Direct Entry Parcels to Canada that will allow the Customs officials to review the contents of each shipment before the packages arrive.
7. Undeliverable Items. To return to the Mailer Direct Entry Parcel items that are refused by an addressee or are undeliverable or which the addressee has opened and resealed and is then returning to the Mailer via International Return Service at the prices listed in Annexes 2 and 4;
 - a. The Mailer must request this service prior to the mailing of the first Direct Entry Parcel under this Agreement;
 - b. Once requested, this service will be applicable to all Direct Entry Parcel items;
 - c. If the Mailer does not request International Return Service for Direct Entry Parcels prior to the mailing of the first Direct Entry Parcel under this Agreement, unopened refused or undeliverable Direct Entry Parcels and opened and resealed Direct Entry Parcels will not be returned to the Mailer.

- d. The prices listed in Annexes 2 and 4 are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, the USPS Pricing Steering Committee, and/or the United States Postal Regulatory Commission.
8. Harmonization Service Proposal.
 - a. To present, at the Mailer's request a customized binding Proposal detailing the number of hours required to complete a harmonization process. The Proposal shall be presented before the process begins.
 - b. To harmonize individual items or groups of items at the Mailer's request for the duration of this Agreement.
9. Customs Clearance. To arrange with a commercial customs broker in the destination country to perform all services required to clear the Mailer's Qualifying Mail through Customs in the destination country.
10. Billing. To send the Mailer a reasonably detailed invoice for all Customs duties and taxes paid on behalf of the Mailer under the terms of Article 11.1. and any charges incurred by the Mailer under Article 27, within twenty (20) days of the end of the month in which the USPS receives notification of the expenses.

ARTICLE 7. OBLIGATIONS OF THE MAILER

The Mailer hereby agrees:

1. Mail Preparation. To tender Qualifying Mail to the USPS in accordance with Canada Post Corporation Xpresspost requirements for Direct Entry Parcels.
2. Information Link. To establish the necessary linkages with the USPS so that the Mailer and the USPS can exchange data transmissions concerning the Mailer's packages.
3. Data Transmission. To exchange electronic information with the USPS according to the instructions the USPS provides.
4. Advance Notification. To provide:
 - a. The Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov, with notification of new permit numbers used for Qualifying Mail one week in advance of using the new permit numbers. The message should include the permit number, the city, state, and ZIP Code where the permit is held, the name of the permit owner, and the requested effective date.
 - b. The appropriate USPS acceptance site(s) with notice of intent to mail and to adhere to the acceptance times and scheduling procedures in place at the appropriate acceptance site(s).
5. Postage. To pay postage for:
 - a. Direct Entry Parcels according to the price charts in Annex 1.

- b. The prices listed in Annex 1 are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, the USPS Pricing Steering Committee, and/or the United States Postal Regulatory Commission.
6. Payment Method. To pay postage to the USPS, either directly or through a mailing agent, for all Qualifying Mail by use of a permit imprint subject to the conditions stated in DMM 604.5.1 and 604.5.2, with the exception that DMM 604.5.1.1 shall not apply.
7. Penalty. To pay any penalty Canada Post Corporation may assess for Direct Entry Parcels not prepared in accordance with Canada Post Corporation requirements for Xpresspost.
8. Tender. To present the mailings to the USPS at a location the USPS designates.
9. Customs and Export Documentation. To provide any necessary documentation, including data provided in electronic format, in connection with each mailing, in the form and at the time specified by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other authority. The Mailer further understands that the failure to provide any such required documentation may result in refusal at acceptance, delay in processing, involuntary seizure by customs authorities, and/or return of mail to the sender.
10. Customs and Export Requirements. To comply with any regulation or order promulgated by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other governmental unit with jurisdiction over mail, to facilitate the Customs processing of its mail, according to any requirements specified by those authorities.
11. Software. To apply address labels, permit imprint, and Customs declarations to Qualifying Mail:
 - a. Using USPS-provided Global Shipping Software (GSS) or a functional equivalent of that software;
 - b. In the event that the Mailer decides to use functionally equivalent software not provided by the USPS, the Mailer must seek the approval of the USPS prior to deploying such software. Such approval shall be in the sole and unreviewable discretion of the USPS.
12. International Return Service. To notify the USPS of the Mailer's intent to utilize International Return Service before mailing any Direct Entry Parcels under this Agreement.

13. Harmonization Service. To pay for any requested Harmonization Service according to the price listed in Annex 3.
 - a. The price for Harmonization Service is contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, the USPS Pricing Steering Committee, and/or the United States Postal Regulatory Commission.
 - b. The USPS will invoice the Mailer for Harmonization Services. All invoices that are not paid within thirty (30) days of the date of the invoice will incur an annual late payment penalty (finance charge) of ten (10) percent of the total charge, to be compounded monthly. Any invoicing discrepancies must be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the United States Postal Service reserves the right to pursue other available remedies.

ARTICLE 8. MINIMUM COMMITMENT

1. The Mailer is required to meet an annualized minimum commitment of [REDACTED] pieces of Qualifying Mail.
2. The Mailer acknowledges that preparing and gaining approval for the terms set forth in this Agreement requires substantial resources on the part of the USPS and that these resources will not be recouped in the event the Mailer does not meet its minimum commitment as set forth above in Paragraph 1 of this Article. Accordingly, the Mailer agrees to pay to the USPS the up to the maximum sum of [REDACTED] as liquidated damages if the minimum commitment is not met. Such liquidated damages shall be payable within thirty (30) days of receipt of a written demand by the USPS.

ARTICLE 9. POSTAGE UPDATES

1. In the event that the USPS incurs an increase in costs [REDACTED] associated with providing Direct Entry Parcels (prices listed in Annex 1), International Return Service (prices listed in Annexes 2 and 4), Harmonization Service (prices listed in Annex 3) the USPS shall notify the Mailer and modify the relevant prices established under this Agreement.
2. The prices in Annex 1 are based on prices set by Canada Post Corporation for Xpresspost. The USPS reserves the right to adjust the prices in Annex 1 if Canada Post Corporation changes its prices for Xpresspost during the term of this Agreement.
3. The USPS will give the mailer thirty (30) days notice of changes to the prices in Annexes 1, 2, 3, or 4.
4. Any revision of prices shall not be retroactive.

ARTICLE 10. NO SERVICE GUARANTEE

Nothing in this Agreement shall be construed as a representation or guarantee by the USPS that Qualifying Mail will be delivered to the appropriate addresses within any particular time.

ARTICLE 11. CUSTOMS DUTIES AND TAXES

1. For Direct Entry Parcels items mailed under this Agreement the Mailer assumes responsibility for Customs duties and taxes. The USPS shall pay these Customs duties and taxes on behalf of the Mailer.
2. The USPS will invoice the Mailer for the Customs duties and taxes paid on behalf of the Mailer on a monthly basis within twenty (20) days of the month in which the USPS is notified of the expenses. All invoices that are not paid within thirty (30) days of the date of the invoice will incur an annual late payment penalty (finance charge) of [REDACTED]. Any invoicing discrepancies must be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the United States Postal Service reserves the right to pursue other available remedies.

ARTICLE 12. TERM OF THE AGREEMENT

1. The USPS will notify the Mailer of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. The Agreement will remain in effect for one calendar year from the Effective Date, unless terminated sooner pursuant to Article 13.
2. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.

ARTICLE 13. TERMINATION OF THE AGREEMENT

1. Either Party to this Agreement, in its sole discretion, may terminate the Agreement for any reason, without cost, fault, or penalty, regardless of whether either Party is in default, upon a thirty (30) day written notification, unless a time frame longer than thirty (30) days that falls within the term of the Agreement is indicated by the terminating Party.
2. In the event that this Agreement is terminated for any reason before the termination date provided for in Article 12, the minimum commitment in Article 8 shall be calculated on a *pro rata* basis to reflect the actual duration of the Agreement.

ARTICLE 14. MODIFICATION OF THE AGREEMENT

1. Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement, with the exception of changes to prices under the terms of Article 9, shall be binding only if placed in writing and signed by each Party.
2. Modifications may be contingent upon any and all necessary approvals by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the USPS Pricing Steering Committee, 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.
3. If such approvals are required, the modifications will not become effective until such time as all necessary approvals are obtained.
4. The USPS will notify the Mailer of the date the modification becomes effective within thirty (30) days after receiving the approval of the entities that have oversight responsibility for the USPS.
5. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.

ARTICLE 15. ENTIRE AGREEMENT

This Agreement, including all Exhibits and Annexes thereto, shall constitute the entire agreement between the Parties and any prior understanding or representation of any kind preceding the date of this Agreement shall not be binding upon either Party except to the extent incorporated in this Agreement.

ARTICLE 16. 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 acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid, court orders whether valid or invalid, inability to obtain material, equipment or transportation, and any other similar or different contingency.

ARTICLE 17. EFFECT OF PARTIAL INVALIDITY

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the Parties agree that the remaining provisions shall be deemed to be in full force and effect.

Article 18. LIMITATION OF LIABILITY: INSURANCE

1. The liability of the USPS under this Agreement shall be limited to the refund of postage for Qualifying Mail that is lost or destroyed in bulk after being tendered to the USPS and prior to being received by the delivery authority outside the United States. Qualifying Mail mailed under this Agreement is not insured against delay in delivery. The USPS shall not be liable for any actual or consequential damages suffered by the Mailer as the result of late delivery or non-delivery of Qualifying Mail. Neither indemnity payments nor postage refunds will be made in the event of delay.
2. Insurance is not available through the USPS for Direct Entry Parcels mailed under this Agreement. The Mailer may purchase separate commercially available insurance for Direct Entry Parcels.
3. The USPS bears no responsibility for the refund of postage in connection with actions taken by Customs authorities.

ARTICLE 19. INDEMNITY

The Mailer shall indemnify and save harmless the USPS and its officers, agents, and employees from any and all claims, losses, costs, damages, or expenses ("Claims") growing out of or connected in any other way with the discharge by the Mailer or its agent(s) of any undertaking contained in this Agreement, except for Claims arising out of the negligence or willful misconduct of the USPS or of its officers, agents, or employees. Notwithstanding its obligation to indemnify the USPS, the Mailer shall not be liable for any consequential damages suffered by the USPS.

ARTICLE 20. GOVERNING LAW

This Agreement shall be governed by, construed, and enforced in accordance with United States federal law.

ARTICLE 21. SUSPENSIONS OF MAIL SERVICE

In the event that a suspension of Xpresspost service occurs in Canada preventing the delivery of Direct Entry Parcels to addressees in Canada, the Mailer shall not tender Direct Entry Parcels to the USPS until service is restored. Under this circumstance, the Mailer shall have the option to make alternative arrangements for the delivery of Direct Entry Parcels items without penalty. The annualized minimum volume commitment for Qualifying Mail set forth in Article 8 shall be recalculated *pro rata* to reflect the reduction in available service time.

ARTICLE 22. ASSIGNMENT

The rights of each Party under this Agreement are personal to that Party and may not be assigned or transferred to any other person, firm, corporation, or other entity without the prior, express, and written consent of the other Party.

ARTICLE 23. PARAGRAPH HEADINGS

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement.

ARTICLE 24. NUMBER AND GENDER

The use of any particular gender or the plural or singular number in this Agreement is intended to include the other gender or number as the text may require.

ARTICLE 25. NO WAIVER

The failure of either Party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but these shall continue and remain in full force and effect as if such forbearance or waiver had not occurred.

ARTICLE 26. MAILABILITY AND IMPORTABILITY

All items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in the IMM 130 and conform to the importation restrictions of the destination countries, as well as the export requirements of the United States. The Mailer is solely responsible for the importation status of its products as detailed in IMM 112.

ARTICLE 27. RETURN OF DIRECT ENTRY PARCELS (INTERNATIONAL RETURN SERVICE)

At the Mailer's request, the USPS will provide for the return of Direct Entry Parcels to the Mailer.

1. The USPS Agrees:
 - a. To provide the Mailer with the name and address of the returns agent(s) in Canada.
 - b. To make information on the mailer's returns available in a web-accessible report.
 - c. To ship the consolidated returns back to the United States on a schedule mutually agreeable between the USPS and the Mailer.

- d. To transport the returns through the domestic network once U.S. Customs clears the shipment.
- e. To bill the Mailer for International Return Service fees on a monthly basis. All invoices that are not paid within thirty (30) days of the date of the invoice will incur an annual late payment penalty (finance charge) of [REDACTED]. Any invoicing discrepancies must be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the United States Postal Service reserves the right to pursue other available remedies.
- f. To notify the Mailer at least 30 days in advance of any prospective changes in the fees for International Return Service.

2. The Mailer Agrees:

- a. To notify the USPS of the Mailer's intent to use International Return Service for Direct Entry Parcels before mailing any Direct Entry Parcels under this Agreement. Once the request for the use of International Return Service for Direct Entry Parcels has been made, International Return Service will be applied to all Direct Entry Parcels mailed under this Agreement.
- b. To grant the USPS designated returns agent(s) permission to open returns packages so that they may verify package contents.
- c. To include an International Return Service address form in each outgoing package. This return form should include a tear-off or peel-off address label, pre-addressed to the designated returns agent. The return form should clearly indicate a description of the items ordered and instructions to the buyer about the returns process.
- d. To clearly indicate to the addressee that the addressee is responsible for return postage within Canada.
- e. To print the package or order ID barcode on the International Return Service address form.
- f. To include merchandise cost information in the electronic files sent to the USPS unless merchandise value is acceptable for U.S. Customs & Border Protection clearance.
- g. To abide by all U.S. Customs & Border Protection regulations, rules, and directives regarding re-entry of previously exported goods that may be in effect during the period that the Mailer is using the International Return Service.
- h. To pay any duties assessed by U.S. Customs & Border Protection for re-entry of the Mailer's goods in the United States. (Normally, only non-U.S. origin items are dutiable upon re-entry into the United States.)

- i. To pay the USPS for International Return Service fees within thirty (30) days of the date of the invoice. All invoices that are not paid within thirty (30) days will incur an annual late payment penalty (finance charge) of [REDACTED]. Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition to late payment penalties (finance charges), the United States Postal Service reserves the right to pursue other available remedies.
- j. To pay for International Return Service according to the prices listed in Annexes 2 and 4. The prices listed in Annexes 2 and 4 are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, the USPS Pricing Steering Committee, and/or the United States Postal Regulatory Commission.

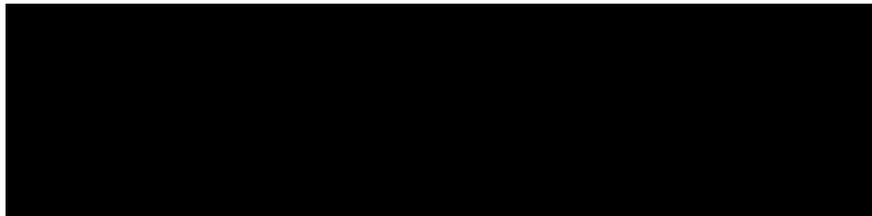
ARTICLE 28. NOTICES

All notices or demands required by this Agreement shall be sufficient if delivered personally or mailed, by Express Mail, to the following individuals:

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

To the Mailer:



ARTICLE 29. COUNTERPARTS

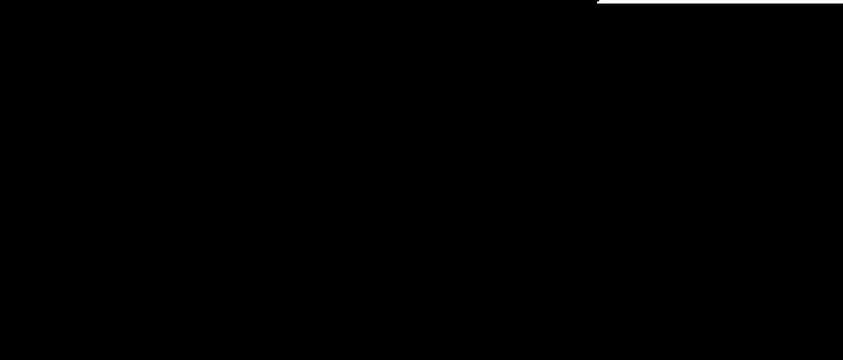
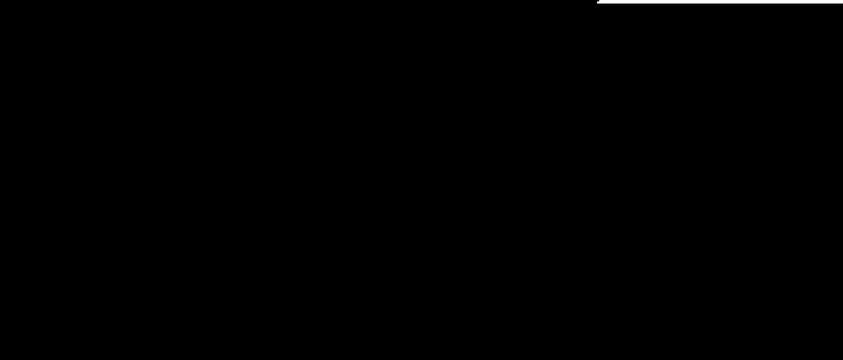
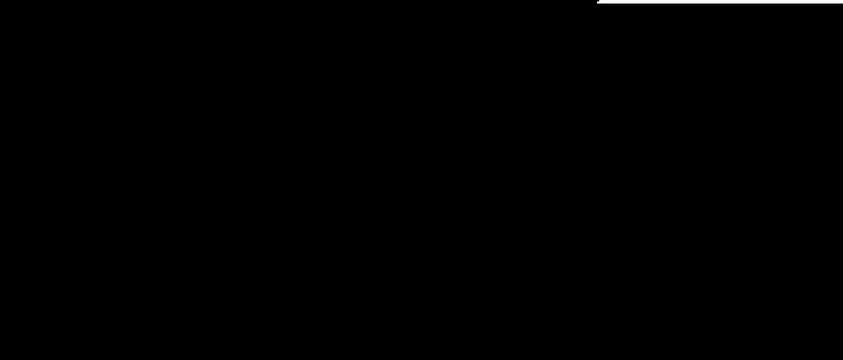
The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format), not all Parties need be signatories to the same documents, and all counterpart-signed documents shall be deemed an original and one instrument.

In witness whereof, each Party to this Agreement has caused it to be executed as indicated below.

ON BEHALF OF THE UNITED STATES POSTAL SERVICE:

Signature: Frank A. Cebello
Name: Frank A. Cebello
Title: Executive Director, Global Business Management
Date: 5/21/09

ON BEHALF OF 

Signature: 
Name: 
Title: 
Date: 5/19/09

- Exhibit A ADDITIONAL AND SUPERSEDING TERMS AND CONDITIONS
- Annex 1 PRICES FOR DIRECT ENTRY PARCELS
- Annex 2 PRICES FOR INTERNATIONAL RETURN SERVICE
- Annex 3 PRICE FOR HARMONIZATION SERVICE
- Annex 4 PRICES FOR ADDITIONAL SERVICES

EXHIBIT A
ADDITIONAL AND SUPERSEDING TERMS AND CONDITIONS

The Parties acknowledge that the following terms and conditions shall apply to this Agreement. Any terms contained in this Exhibit A shall be controlling and supersede any terms found within the Agreement.

1. **ACKNOWLEDGEMENT.** The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals hereinafter ("Conditions Precedent") from 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 USPS Pricing Steering Committee, 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. The Parties acknowledge that the Agreement may not be approved by such bodies. Until such time that all Conditions Precedents are fulfilled that are necessary to allow the Postal Service to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS and no benefit shall inure to either Party.
2. **LIMITATION ON LIABILITY AND COSTS.** In the event that the Conditions Precedent are not fulfilled, the USPS shall have no liability, which shall include no obligation to pay costs associated with any action taken by the Mailer 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, actual; special; indirect; incidental; punitive; consequential; 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 for costs incurred by either Party attributable to such non-approval such as attorney's fees.
3. **PRICES.** The prices listed in Annex 1, Annex 2, Annex 3, and Annex 4 are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, the USPS Pricing Steering Committee, and/or the United States Postal Regulatory Commission.

Initials United States Postal Service



Initials

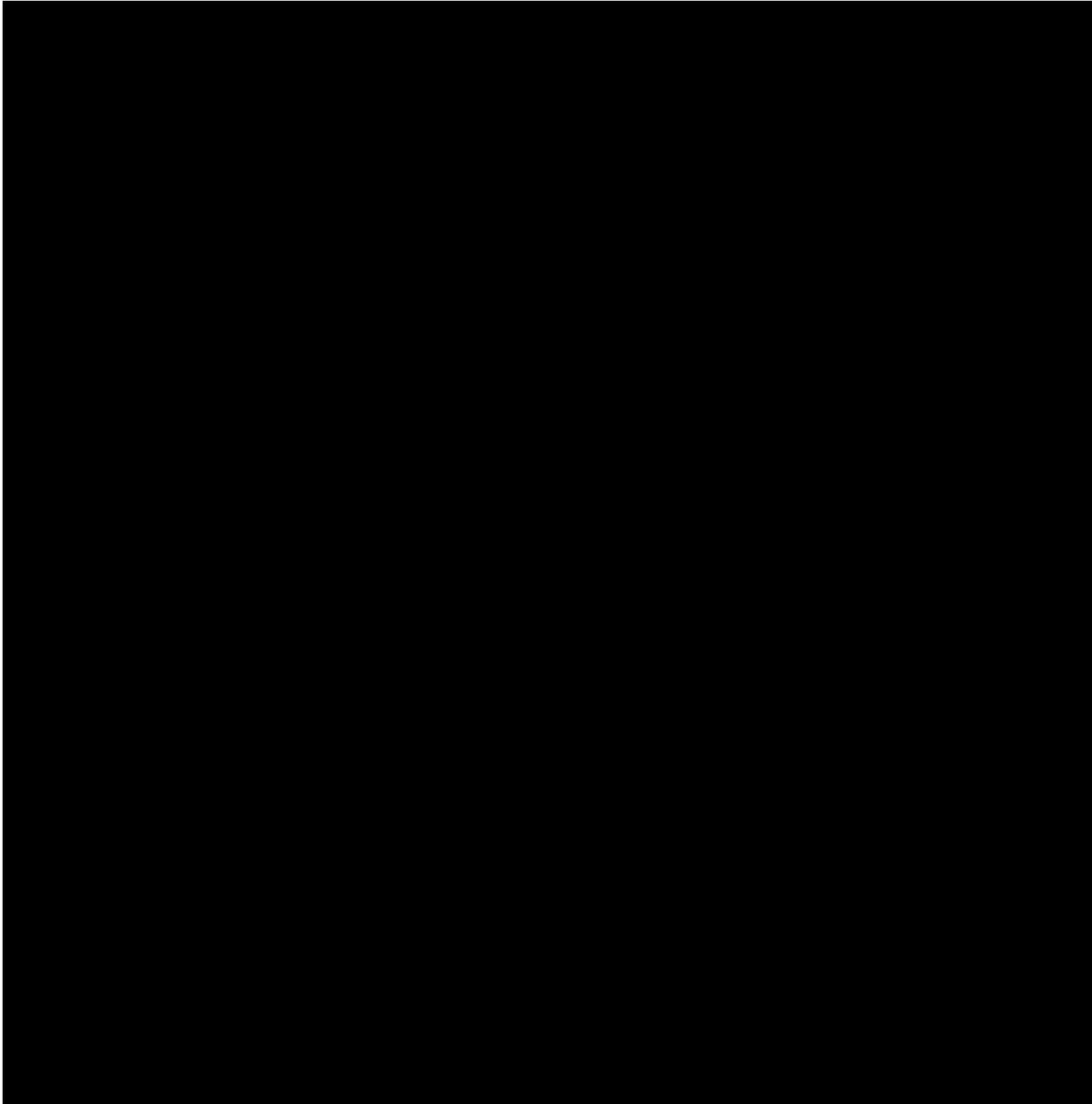
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USPS [REDACTED] 05/2009

Exhibit A Page 1 of 1

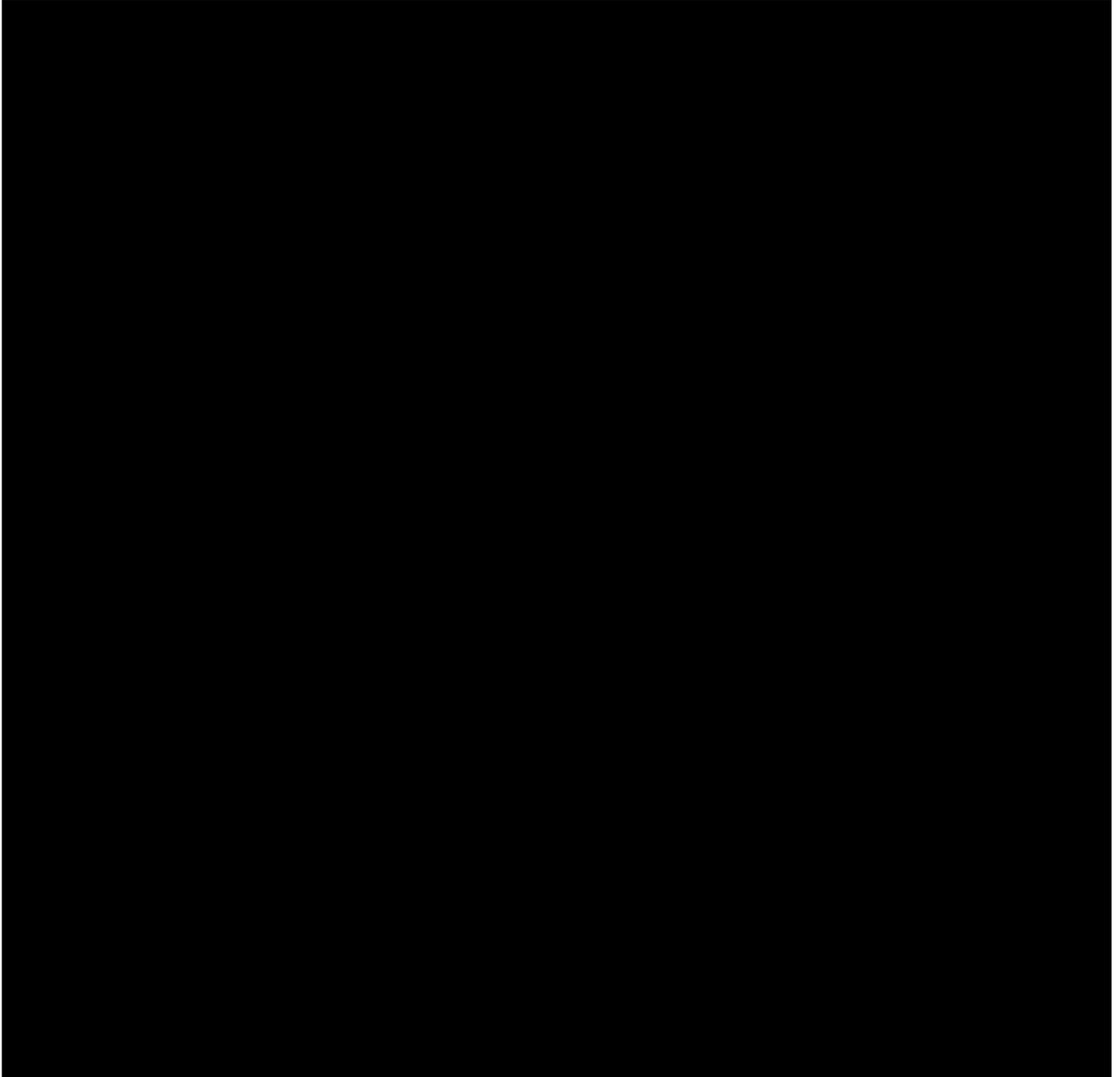
ANNEX 1

**PRICES FOR
DIRECT ENTRY PARCELS**



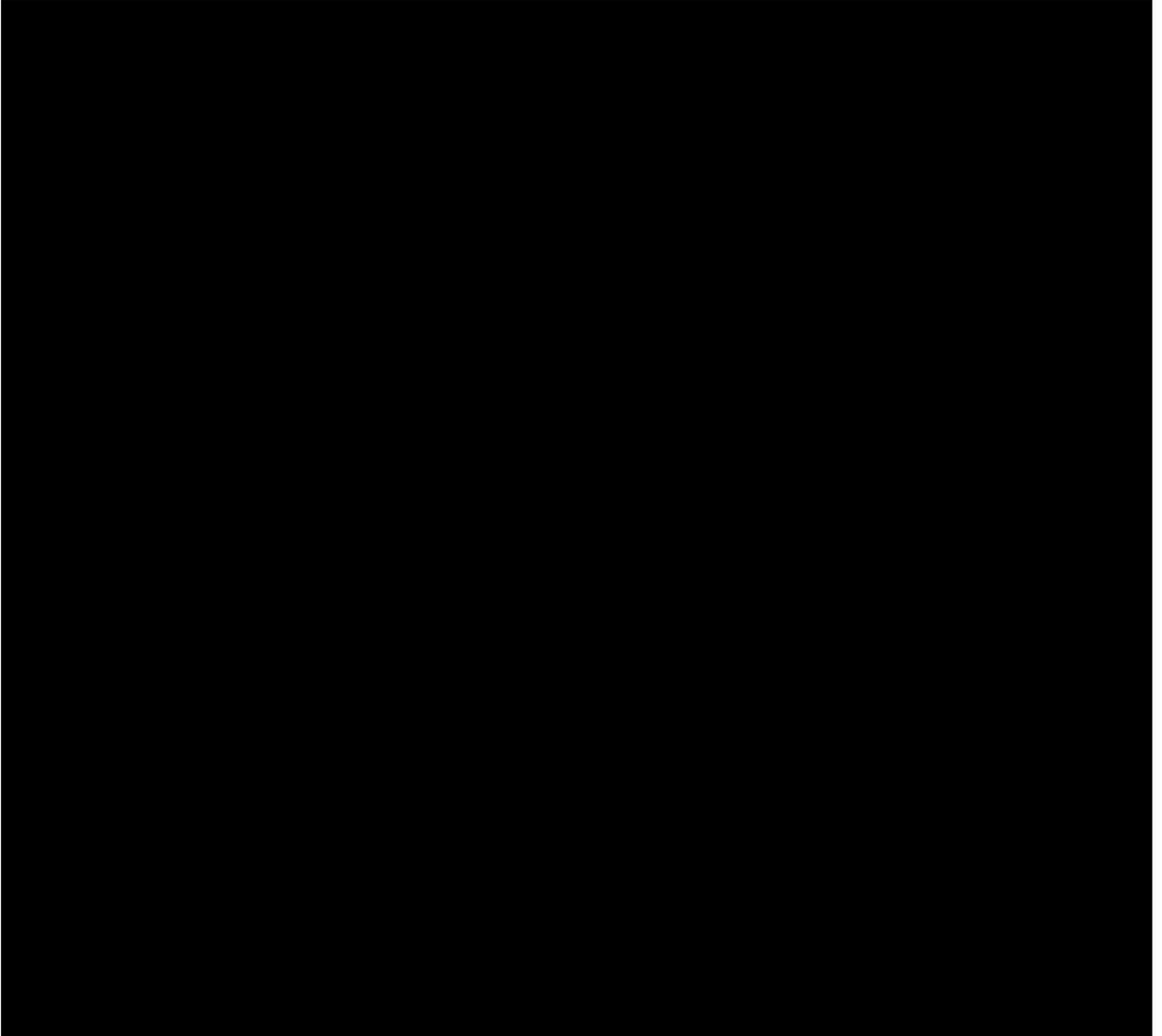
ANNEX 2

PRICES FOR INTERNATIONAL RETURN SERVICE



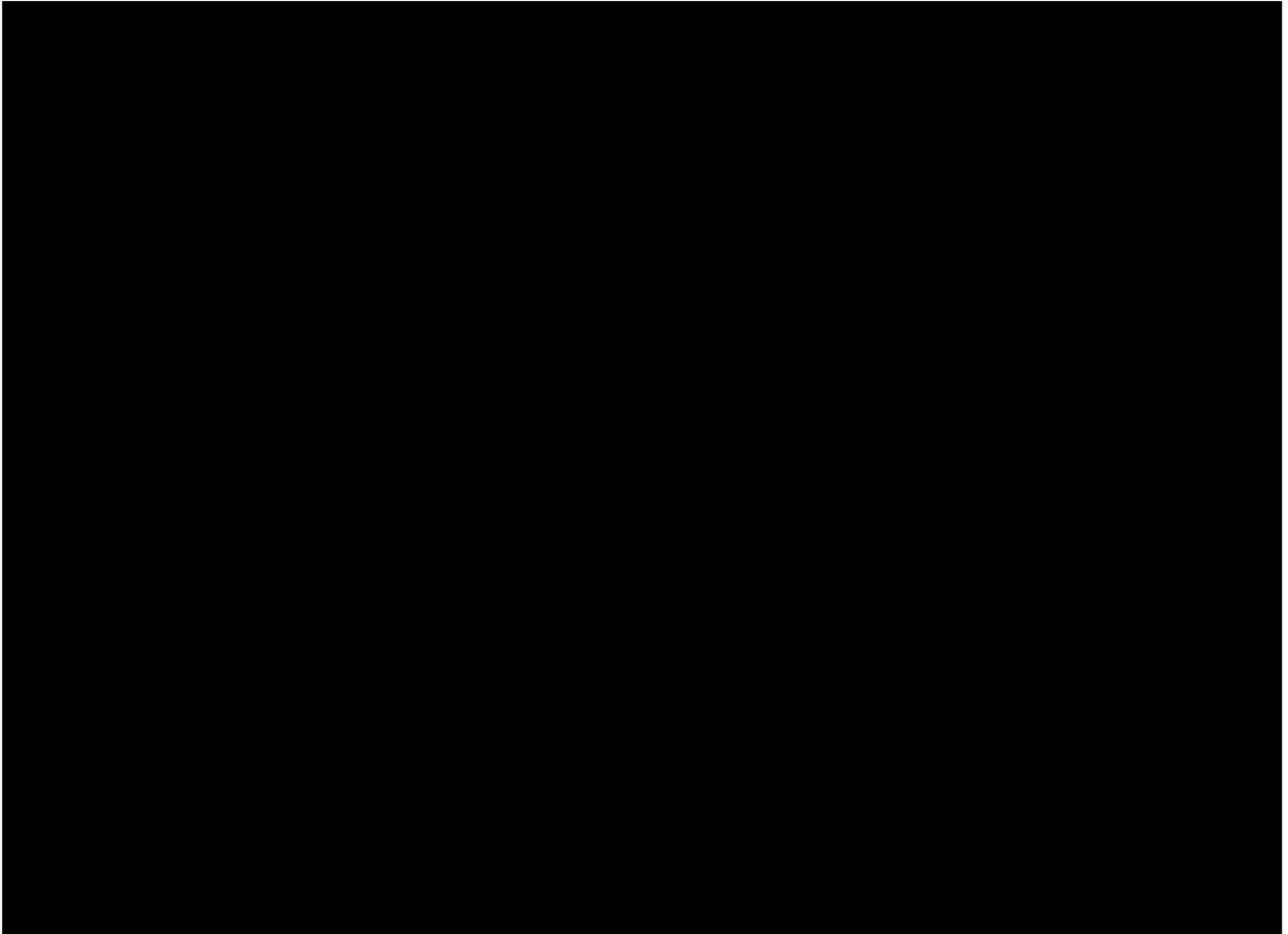
ANNEX 3

PRICE FOR HARMONIZATION SERVICE



ANNEX 4

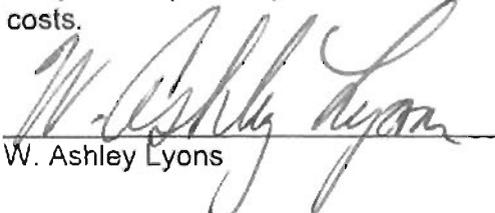
PRICES FOR ADDITIONAL SERVICES



Certification of Prices for the Direct Entry Parcels Contract, including Ancillary Services, with [REDACTED]

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Direct Entry Parcels Contract with [REDACTED], including International Return Service Offered with Customized Agreements and Harmonization Service Offered with Customized Agreements. The prices contained in this Contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Direct Entry Parcels Contracts, International Return Service Offered with Customized Agreements and Harmonization Service Offered with Customized Agreements, issued June 10, 2009 (Governors' Decision No. 09-7), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] Contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of [REDACTED] percent for the applicable prices for the mail items under the contract, [REDACTED] percent for the International Return Service, and [REDACTED] percent for the Harmonization Service, are in compliance with 39 U.S.C. § 3633 (a)(1), (2), and (3). The prices demonstrate that the Agreement and the included ancillary services should cover their 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 Direct Entry Parcels Contracts, International Return Service and Harmonization Service should be much smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


W. Ashley Lyons