

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

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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

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 1**

The United States Postal Service hereby provides its response to Chairman's Information Request No. 1. The revised financial information referenced in responses to Questions 2, 5, 8 and 9 will be filed separately under seal as soon as it can be completed. The justification for filing the library references under seal is explained in separate accompanying notices of filing.<sup>1</sup>

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno

Chief Counsel, Global Business

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<sup>1</sup> Because the Commission's recently established rules on confidentiality will not take effect until July 29, 2009, the Postal Service submits sealed information consistent with prior practice. See PRC Order No. 255, Final Rule Establishing Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009, at 20 (ordering the rules to take effect 30 days after publication in the *Federal Register*) and 74 Fed. Reg. 30938. Further, by providing narrative responses to questions that relate to materials filed under seal, the Postal Service does not intend to waive any right to designate such materials as privileged or exempt from public disclosure.

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2997; Fax -6187  
July 2, 2009

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

1. Please provide the currency of the rates in Annexes 1, 2, and 3 of the Global Customized Mail Agreement.

**RESPONSE:**

All prices are in U.S. Dollars. If the contract had intended to use a different currency, then this would have been explicitly stated. The column heading in Annexes 1, 2, and 3 is intended to clarify the destination country of the pieces, not the currency in which the prices are quoted.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

2. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 01\_Inputs. This worksheet indicates that calculations are based on calendar year 2007 volumes for the mailer. Please provide the 2008 volumes, if available, and update the file. If not available, please explain.

**RESPONSE:**

Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls worksheet tab 01\_Inputs mistakenly references calendar year 2007 volumes. The volumes within the model are in fact based on 2008 volumes. The corresponding references will be updated in revised financial materials to be filed under seal as soon as possible.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

3. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 02\_Inputs, which cites the ICRA-FY08 (Revised 4/30/2009 NP37) for the PMI Processing Cost, PMI Delivery Cost, PMI Other Cost, and PMI Domestic Transportation Cost. Please provide in electronic form the ICRA-FY08 to reflect revised 4/30/2009 NP37. Also, please explain the differences between ICRA-FY08 (Revised 4/30/2009 NP37) and Docket No. ACR2008, Library Reference USPS-FY08-NP2, specifically Excel file Reports.xls.

**RESPONSE:**

The electronic form of the ICRA-FY08 resulting from NP37, filed on 4/20/09, is being filed under seal as USPS-CP2009-36/NP1, NP1 is the entire ICRA model updated using the correct TRACs data for certain international mail and following the procedures explained in USPS-FY08-NP37.

This corrects the transportation distribution factors, based on TRACs data, for certain international mail categories. The Commission observed the "small discrepancies" created by the use of the incorrect version of this material on pages 94-95 of the FY08 ACD (March 20, 2009) and USPS-FY08-NP37 corrects these discrepancies. As the impact is solely on transportation distribution factors, total costs do not change and no other Cost Segment besides Cost Segment 14 is impacted.

The correction shifts costs: 1) from Foreign Origin Air CP to Foreign Origin Air LC/AO and to Priority Mail International Flat-Rate Boxes and Parcels, and 2) from Foreign Origin Surface CP to Foreign Origin Surface LC/AO. The impact on the Reports.xls file can be first seen on page Summary A-1. The Volume Variable Cost and the resulting Contribution columns changed for: Inbound Single-piece First Class Mail,

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

Inbound Surface Parcel Post (At UPU Rates), Outbound Priority Mail International, Inbound Air Parcel Post and Inbound Surface Parcel Post (At Non-UPU Rates); class subtotals, Market Dominant subtotals and Competitive subtotals changed accordingly.

The Market Dominant Products details on pages A-1, A-2 and B-1 are where the impacts appear next. On pages A-1 and A-2, the Volume Variable Cost and the resulting Contribution columns change for: 1) Inbound Single-piece First Class Mail categories, 2) Package Services for Inbound Surface Parcel Post (At UPU Rates) and 3) Total Market Dominant Products; the subtotals change accordingly. On page B-1, the Domestic Transportation Cost Per Piece, the Transportation Subtotal and the Grand Total columns change for the Inbound Single-piece First-Class Mail categories and the Inbound Surface Parcel Post (At UPU Rates).

Pages A-1 through A-4 change in the Competitive Products section. The Volume Variable Cost column and the resulting Contribution, Vol. Vble, Cost per Piece and Contribution per Piece columns change for: 1) PMI Flat-Rate Boxes and Parcels, 2) Inbound Air Parcel Post categories and 3) Inbound Surface Parcel Post (At Non-UPU Rates) categories. Pages B-1 through B-4 also change in the Competitive Products section. The Domestic Transportation Cost Per Piece and the resulting Subtot and Grand Total columns change for: 1) PMI Flat-Rate Boxes and Parcels, 2) Inbound Air Parcel Post categories and 3) Inbound Surface Parcel Post (At Non-UPU Rates) categories.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

4. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 02\_Inputs. Please provide the currency of the values indicated in cells A25 through A30. Also, please identify and provide the source of the costs cited in cells A28 through A30.

**RESPONSE:**

All values are in U.S. Dollars. The cost in Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 02\_Inputs, cell A28 is derived from the USPS harmonization service contract with Vastera/ JP Morgan; the term of this contract ended on June 30, 2009. Costs in cells A29 and A30 are derived from the USPS harmonization contract with Logical Properties Inc; the term of this contract began on July 1, 2009. Both contracts are sourced in the corresponding footnotes. Copies of these contracts are provided in USPS-CP2009-36/NP2; redacted versions are attached to this response.

**ORDER / SOLICITATION / OFFER / AWARD**

<b>OFFEROR TO COMPLETE BLOCKS 13, 14, 16, 22, 23 and 26</b>				1. REQUISITION NO. R00018556907		PAGE OF 1 3	
2. CONTRACT/ORDER NO. 1BITSV-09-B-0003		3. AWARD/ EFFECTIVE DATE	4. MASTER/AGENCY CONTRACT NO.		5. SOLICITATION NO.		6. SOLICITATION ISSUE DATE
7. For Solicitation Information Call	a. NAME Charles J. McGovern		b. TELEPHONE NO. (202) 268-8254		c. FAX NO. (202) 268-3677		8. OFFER DUE DATE/TIME
9. ISSUED BY IT SERVICES INFORMATION TECHNOLOGY CMC UNITED STATES POSTAL SERVICE 475 LENFANT PLAZA SW WASHINGTON DC 20260-4541 US EMAIL: charles.j.mcgovern@usps.gov				10. ACO CODE 1BITSV	11. SOLICITATION METHOD  <input type="checkbox"/> RFO <input type="checkbox"/> RFP <input type="checkbox"/> ORAL	12. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS CHECKED  <input type="checkbox"/> SEE SCHEDULE	13. DISCOUNT TERMS See Schedule
14. SUPPLIER Logical Properties Inc. 5475 Pare Street, Suite 100 Montreal, Quebec H4P 1P7  TEL: 514-737-1500 FAX: [REDACTED] EMAIL: [REDACTED]				15. BILLING ADDRESS SAME AS DELIVERYPERFORM ADDRESS			
16. REMITTANCE ADDRESS [REDACTED]				17. DELIVERY ADDRESS WASHINGTON DC DC NOD WASHINGTON DC NOD USPS 475 LENFANT PLZ SW RM 6800 WASHINGTON DC 202606800  TELEPHONE NO: 2022683295 DELIVER BY/END DATE: 12/31/2010			
TEL: [REDACTED] FAX: [REDACTED] EMAIL: [REDACTED]				<input type="checkbox"/> CHECK <input checked="" type="checkbox"/> EFT			
18. ITEM NO	19. SCHEDULE OF SUPPLIES/SERVICES			20. QUANTITY	21. UNIT	22. UNIT PRICE	23. AMOUNT
	Purchasing and Supply Management Specialist: Chas McGovern, charles.j.mcgovern@usps.gov, 202-268-8254  Note to Supplier: Due to USPS electronic payment process change, all invoices MUST reference the corresponding item number listed ont this purchase document. Invoices not in compliance may result in delayed payment.  Logical Properties, Inc. Technical Proposal titled "Harmonized Tariff System (HTS) commodity Continued ...						
24. TOTAL AWARD AMOUNT (USPS Use Only) [REDACTED]							
25. <input type="checkbox"/> The supplier is required to sign this document and return copies to the issuing office. The supplier agrees, subject to the terms and conditions specified herein, to provide and deliver all items identified above and on any additional sheets.				26. <input checked="" type="checkbox"/> Award of Contract: Your offer on Solicitation (block 5) is accepted as to items as shown above.			
27a. SIGNATURE OF SUPPLIER				28a. UNITED STATES POSTAL SERVICE (SIGNATURE OF CONTRACTING OFFICER)			
27b. PRINTED NAME AND TITLE OF SUPPLIER		27c. DATE SIGNED		28b. PRINTED NAME OF CONTRACTING OFFICER Charles J. McGovern		28c. DATE SIGNED	

CONTINUATION SHEET

REQUISITION NO.  
R00018556907

PAGE OF  
2 3

CONTRACT/ORDER NO.  
1BITSV-09-B-0003

AWARD/  
EFFECTIVE DATE

MASTER/AGENCY CONTRACT NO.

SOLICITATION NO.

SOLICITATION  
ISSUE DATE

ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT																
00001	<p>Classification and Validation Service" dated November 3, 2008 and Cost Proposal of the same name and date are both incorporated by reference. Sub Rept Req'd: N Payment Terms: NET30 Accounting Info: BFN: [REDACTED] Period of Performance: 01/01/2009 to 12/31/2010</p> <p>Batch and Ad Hoc Requests for Harmonized Tariff System, Commodity Classification Data Service Account Number: [REDACTED]</p> <p>FOB: Destination</p> <p>Budget Finance Number [REDACTED]</p> <p>The USPS is purchasing Harmonization Classification Data Services to enable USPS to better compete in the international shipping marketplace.</p> <p>Batch HTS Classification and Validation</p> <table border="1"> <thead> <tr> <th data-bbox="196 1081 532 1108">Item</th> <th data-bbox="532 1081 915 1108">Unit Price</th> </tr> </thead> <tbody> <tr> <td data-bbox="196 1115 532 1142">HTS Code Validation</td> <td data-bbox="532 1115 915 1142">[REDACTED]</td> </tr> <tr> <td data-bbox="196 1148 532 1176">LPI Expert- handled Commodity Classification, Duty/Tax capture</td> <td data-bbox="532 1148 915 1176">[REDACTED]</td> </tr> </tbody> </table> <p>Pricing for Ad-Hoc HTS Classification Pricing for Ad-Hoc HTS Classification is calculated on a per transactio basis as follows: # Transactions/Yr Cost/Transact. Each Addtl Transact.</p> <table border="1"> <tbody> <tr> <td data-bbox="196 1430 493 1457">100,000</td> <td data-bbox="493 1430 915 1457">[REDACTED]</td> </tr> <tr> <td data-bbox="196 1463 493 1491">250,000</td> <td data-bbox="493 1463 915 1491">[REDACTED]</td> </tr> <tr> <td data-bbox="196 1497 493 1524">500,000</td> <td data-bbox="493 1497 915 1524">[REDACTED]</td> </tr> <tr> <td data-bbox="196 1530 493 1558">1,000,000</td> <td data-bbox="493 1530 915 1558">[REDACTED]</td> </tr> <tr> <td data-bbox="196 1564 493 1591">5,000,000</td> <td data-bbox="493 1564 915 1591">[REDACTED]</td> </tr> </tbody> </table>	Item	Unit Price	HTS Code Validation	[REDACTED]	LPI Expert- handled Commodity Classification, Duty/Tax capture	[REDACTED]	100,000	[REDACTED]	250,000	[REDACTED]	500,000	[REDACTED]	1,000,000	[REDACTED]	5,000,000	[REDACTED]				[REDACTED]
Item	Unit Price																				
HTS Code Validation	[REDACTED]																				
LPI Expert- handled Commodity Classification, Duty/Tax capture	[REDACTED]																				
100,000	[REDACTED]																				
250,000	[REDACTED]																				
500,000	[REDACTED]																				
1,000,000	[REDACTED]																				
5,000,000	[REDACTED]																				
00002	<p>Customization and non-standard services Account Number: [REDACTED]</p> <p>FOB: Destination</p> <p>Rates for building a customized user interface to the online 3CE Classification assistance tool for Global Shipping Software.</p> <p>Continued ...</p>				[REDACTED]																

CONTINUATION SHEET

REQUISITION NO.  
R00018556907

PAGE OF  
3 3

CONTRACT/ORDER NO. 1BITSV-09-B-0003	AWARD/ EFFECTIVE DATE	MASTER/AGENCY CONTRACT NO.	SOLICITATION NO.	SOLICITATION ISSUE DATE
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ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
	<p>Personnel Hourly Rate</p> <p>Project Manager [REDACTED]</p> <p>Sn Programmer [REDACTED]</p> <p>Quality Assurance Mgr [REDACTED]</p> <p>Tariff &amp; Trade Data Mgr [REDACTED]</p> <p>Junior Programmer [REDACTED]</p> <p>Base Period: Two years, from 1/1/09 through 12/31/2010. Three one-year option periods are defined in the contract, exercisable at USPS' discretion.</p> <p>Send invoices to: Ms. Unchong Chung Global Business 475 L'Enfant Plaza, SW Room 6800 Washington, DC 20260-6800</p> <p>The total amount of award: [REDACTED] The total amount for this award is shown in box 24.</p>				

ORDER / SOLICITATION / OFFER / AWARD

OFFEROR TO COMPLETE BLOCKS 13, 14, 16, 22, 23 and 26		1. REQUISITION NO. R00017642620		PAGE OF 1 2	
2. CONTRACT/ORDER NO. 2DMISC-08-B-0240		3. AWARD/ EFFECTIVE DATE 09/11/2008	4. MASTERAGENCY CONTRACT NO.		5. SOLICITATION NO.
7. For Solicitation Information Call	a. NAME Robert J. Wilczynski		b. TELEPHONE NO. (860) 285-7004	c. FAX NO. (650) 357-6786	8. OFFER DUE DATE/TIME
9. ISSUED BY Eastern Services CMC, Windsor United States Postal Service 8 Griffin Road North, Suite F Windsor CT 06095-1572		CODE 2DPSCW	10. ACO CODE 2DPSCW	11. SOLICITATION METHOD	12. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS CHECKED <input type="checkbox"/> SEE SCHEDULE <input type="checkbox"/> RFP <input checked="" type="checkbox"/> RFP <input type="checkbox"/> ORAL
13. DISCOUNT TERMS See Schedule		EMAIL robert.j.wilczynski@usps.gov			
14. SUPPLIER JPMORGAN CHASE VASTER PROFESSIONAL SERVICES INC Attn: [REDACTED] c/o Global TS Contracts Management/LEGAL 45025 Aviation Drive Dulles VA 20166-7014		CODE [REDACTED]	15. BILLING ADDRESS SAME AS DELIVERY/PERFORM ADDRESS		
TEL: 312-954-3552 FAX: [REDACTED]		EMAIL: [REDACTED]			
16. REMITTANCE ADDRESS [REDACTED]		CODE 00001	17. DELIVERY ADDRESS UNCHONG CHUNG WASHINGTON DC NOD USPS 475 LENFANT PLZ SW RM 6800 WASHINGTON DC 20260-6800		
TEL: [REDACTED] FAX: [REDACTED]		TELEPHONE NO: [REDACTED]			
EMAIL: [REDACTED]		DELIVER BY/END DATE: [REDACTED]			
		<input checked="" type="checkbox"/> CHECK <input type="checkbox"/> EFT			
18. ITEM NO	19. SCHEDULE OF SUPPLIES/SERVICES		20. QUANTITY	21. UNIT	22. UNIT PRICE
	23. AMOUNT				
	This contract/order number 2DMISC-08-B-0240 is issued to replace contract/order number 102591-01-F-1533, pursuant to modification number 15.  This modification is also being issued to extend the contract for one (1) 1-year period from 9/12/2008 through 9/11/2009 w/nine (9) 1-year options to extend.  Please note that the service(s) you are providing for the U. S. Postal Service have been determined Continued ...				
24. TOTAL AWARD AMOUNT (USPS Use Only) [REDACTED]					
25. <input type="checkbox"/> The supplier is required to sign this document and return copies to the issuing office. The supplier agrees, subject to the terms and conditions specified herein, to provide and deliver all items identified above and on any additional sheets.			26. <input checked="" type="checkbox"/> Award of Contract: Your offer on Solicitation (block 5) is accepted as to items 0001		
27a. SIGNATURE OF SUPPLIER [REDACTED]			28. PRINTED NAME OF CONTRACTING OFFICER [REDACTED]		
27b. PRINTED NAME AND TITLE OF SUPPLIER		27c. DATE SIGNED	28b. PRINTED NAME OF CONTRACTING OFFICER Domenic V. Battista		28c. DATE SIGNED 9-12-08

CONTINUATION SHEET			REQUISITION NO R00017642620		PAGE OF 2 2	
CONTRACT/ORDER NO. 2DMISC-08-B-0240		AWARD/ EFFECTIVE DATE 09/11/2008	MASTER/AGENCY CONTRACT NO.		SOLICITATION NO.	
ITEM NO	SCHEDULE OF SUPPLIES / SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT	
00001	<p>by the Department of Labor to be subject to the Service Contract Act (SCA). Please refer to <a href="http://www.wdol.gov/">www.wdol.gov/</a> for the proper wage rates that must be paid to all employees who work on this project. This website is available to the general public.</p> <p>You are required to pay any employee performing maintenance services for the Postal Service not less than the wages and fringe benefits set forth in the proper Wage Rate Determination. If you are self-employed and perform more than 51% of the work, the provisions of the SCA do not apply to you. Should you hire anyone to assist you in the performance of this contract, then the Act will apply to him or her.</p> <p>Sub Rept Req'd: N Payment Terms: NET30 Accounting Info: BFN: [REDACTED] Period of Performance: 09/12/2008 to 09/11/2009</p> <p>PROVIDE HTS CLASSIFICATION AND COMPLIANCE CONSULTATION Account Number: [REDACTED]</p> <p>FOB: Destination</p> <p>The total amount of award: [REDACTED] The total amount for this award is shown in box 24.</p>				[REDACTED]	

<b>AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT</b>		1. CONTRACT ID CODE	PAGE 1 OF 2
2. AMENDMENT/MODIFICATION NO. 015	3. EFFECTIVE DATE 09/11/2008	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)
6. ISSUED BY Robert J. Wilczynski Eastern Services CMC, Windsor United States Postal Service 8 Griffin Road North, Suite F Windsor CT 06095-1572 (860) 285-7004	CODE 2DPSCW	7. ADMINISTERED BY (If other than Item 6) United States Postal Service Windsor Purchasing Service Center 8 Griffin Road North Windsor CT 06095-1572	CODE 2DPSCW
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)  JPMORGAN CHASE VASTER PROFESSIONAL SERVICES Attn: [REDACTED] c/o Global TS Contracts Management/LEGAL 45025 Aviation Drive Dulles VA 20166-7014		(x) 9A. AMENDMENT OF SOLICITATION NO.	
SUPPLIER CODE [REDACTED] FACILITY CODE		9B. DATED (SEE ITEM 11)	
		X 10A. MODIFICATION OF CONTRACT/ORDER NO. 102591-01-F-1533	
		10B. DATED (SEE ITEM 13) 03/08/2001	
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS			

is extended,  is not extended

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing items 8 and 15, and returning \_\_\_\_\_ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted, or (c) By separate letter or telegram which includes a reference to the solicitation and amendment number. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required.)  
See Schedule

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

(x)  A. THIS CHANGE BY CLAUSE IS ISSUED PURSUANT TO: (Specify clause) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14.

C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF: THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

D. OTHER (such as no cost change/cancellation, termination, etc.) (Specify type of modification and authority): THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.

E IMPORTANT: Contractor  is not,  is required to sign this document and return \_\_\_\_\_ copies to the issuing office

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Contract/order number 102591-01-F-1533 is being changed for the convenience of US Postal Service to 2DMISC-08-B-0240. USPS implemented an electronic interface between its Contract and Authoring Management System (CAMS) and Oracle Accounts Payable Financial System (APEX) to reduce re-keying of contractual data and data error. This change is issued pursuant to Clause 4-1, General Terms and Conditions, paragraph c. Changes (2). All future correspondence and invoices must reference contract/order number 2DMISC-08-B-0240 in accordance with Clause 4-1, General Terms and Conditions, paragraph g. Invoices (2). All other terms and conditions of this contract/delivery order remain the same.

Sub Rept Req'd: N Payment Terms: NET30

Continued ...

Except as provided herein, all terms and conditions of the document referenced in item 9A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)	16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Domenic V. Battista, C.P.M.
15B. CONTRACTOR/OFFEROR  (Signature of person authorized to sign)	15C. DATE SIGNED [REDACTED]
	16C. DATE SIGNED 9-12-08

CONTINUATION SHEET			REQUISITION NO.		PAGE	OF
CONTRACT/ORDER NO 102591-01-F-1533/015			AWARD/ EFFECTIVE DATE 09/11/2008		2 2	
MASTER/AGENCY CONTRACT NO			SOLICITATION NO		SOLICITATION ISSUE DATE	
ITEM NO.	SCHEDULE OF SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT	
	<p>LIST OF CHANGES:</p> <p>Period Of Performance End Date changed from 30-SEP-08 to 11-SEP-08</p> <p>Period of Performance: 03/10/2001 to 09/11/2008</p>					

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

5. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 03\_Proposed\_Rates\_USD. The proposed rates are hardcoded and do not match the rates in Annex 1 of the Global Customized Mail Agreement. Please reconcile the rates and explain how they were developed.

**RESPONSE:**

All rates in Annex 1 of the Global Customized Mail Agreement are correct. The rates in Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls will be adjusted accordingly. Revised financial materials are to be filed under seal as soon as possible.

Direct Entry Parcel proposed rates are developed by adding a markup on top of the total costs associated with the product. This building of total costs is described in detail in Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls worksheet, tab 01\_Narrative.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

6. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 05. Are these volumes the totals for all U.S. direct entry parcels into the destination country during the specified period? If not, please explain.

**RESPONSE:**

The volumes are customer specific totals for U.S. direct entry parcels into the destination country for the specified period (i.e., May 2009- December 2009). Revised financial materials for a 12 month period will be filed under seal as soon as possible.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

7. The volumes contained within Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 05 are customer specific totals for U.S. direct entry parcels into the destination country for the specified period.

**RESPONSE:**

The Mail Classification provision in question reads as follows:

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.

This provision does not establish a minimum volume requirement for a Direct Entry Parcels contract. Instead, it establishes a qualification requirement for mailer eligibility for a Direct Entry Parcels contract. Thus, the customer is not required to tender the volume minimums specified. Rather, the customer must be capable of tendering such volumes. The underlying rationale is to ensure that the customer is sufficiently large for the USPS to undertake the transaction costs to extend a customized agreement to a customer. See also United States Postal Service Response To Order No. 78 and Notice of Filing Information Responsive to Part 3020 of The Commission's Rules Of Practice And Procedure (June 10, 2008), where the Postal Service explained this issue:

In the Governors' decision filed in Docket No. CP2008-4, the Governors made certain changes to the classification criteria for GEPS contracts, including higher capacity thresholds. In Order No. 78, the Commission

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

characterized this classification change as “requiring the mailer on an annual basis to mail at least 5,000 pieces (instead of 600 pieces), or pay postage of at least \$100,000 (instead of \$12,000).” For clarity, the Postal Service notes that the eligibility criteria for GEPS contracts do not require the actual mailing of 5,000 pieces or actual payment of \$100,000; rather, the new criteria simply provide that the mailer must be *capable of* meeting those thresholds. A customer need not tender all of its mailable volume to the Postal Service: the competitive nature of the international shipping market is not amenable to such unilateral requirements by the Postal Service as a supplier.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

8. Please refer to Excel file 2009 Direct Entry Parcels and Harmonization Service Cost Cov.xls, worksheet tab 06\_Contract Specific Volume. The shipper's adjusted volume for 2009 does not appear to satisfy Article 8 of the Global Customized Mail Agreement. Please reconcile the differences.

**RESPONSE:**

The financial spreadsheets filed in connection with this contract cover an 8 month period from May 2009- December 2009. By projecting the expected volumes for this partial year period to a full 12 month period, the mailer would be expected to exceed the volume commitment stated in Article 8 of the contract, which is an annualized commitment, and may be reduced on a pro-rata basis if the contract is terminated early as provided in Article 13. Revised financial materials for a 12 month period will be filed under seal as soon as possible.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1  
DOCKET NO. MC2009-26  
DOCKET NO. CP 2009-36**

9. Please refer to Excel file 2009 International\_Return\_Service.xls, worksheet tab 03\_Proposed\_Rates\_USD. The proposed rates are hardcoded and do not match the rates in Annex 2 of the Global Customized Mail. Please reconcile the differences and show how the proposed rates were developed.

**RESPONSE:**

All rates in Annex 1 of the Global Customized Mail Agreement are in fact correct. The rates in Excel file 2009 International\_Return\_Service.xls will be adjusted accordingly. Revised financial materials will be filed under seal as soon as possible.

International Return Service proposed rates are developed by adding a markup on top of the total costs associated with the product. The process of building total costs is described in detail in Excel file 2009 International\_Return\_Service.xls worksheet, tab 01\_Narrative.