

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

COMPETITIVE PRODUCT PRICES
INBOUND DIRECT ENTRY CONTRACTS WITH FOREIGN POSTAL
ADMINISTRATIONS (MC2008-6)
NEGOTIATED SERVICES AGREEMENT

Docket No.
CP2009-62

**NOTICE OF UNITED STATES POSTAL SERVICE OF FILING
FUNCTIONALLY EQUIVALENT INBOUND DIRECT ENTRY CONTRACTS
NEGOTIATED SERVICE AGREEMENT**
(August 21, 2009)

In accordance with 39 C.F.R. § 3015.5 and Order No. 105,¹ the United States Postal Service (Postal Service) hereby gives notice that the Postal Service has entered into an additional Inbound Direct Entry (IDE) contract with New Zealand Post Limited (NZP), the public postal administration for New Zealand. Prices and classifications not of general applicability for IDE Contracts were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Direct Entry Contracts with Foreign Postal Administrations, issued May 6, 2008 (Governors' Decision No. 08-6).² The Postal Regulatory Commission (Commission) has determined that the individual IDE Contracts filed in Docket Nos. CP2008-14, CP2008-15, and CP2009-41 are functionally equivalent and

¹ PRC Order No. 105, Order Concerning Prices Under Inbound Direct Entry Contracts with Certain Foreign Postal Administrations, Docket Nos. MC2008-6, CP2008-14, and CP2008-15, September 4, 2008.

² An unredacted copy of this decision and a record of the Governors' proceedings was filed under seal with the Request of the United States Postal Service to Add Inbound Direct Entry Contracts with Foreign Postal Administrations to the Competitive Product List, and Notice of Filing (Under Seal) the Enabling Governors' Decision and Two Functionally Equivalent Contracts with Foreign Posts, Docket Nos. MC2008-6, CP2008-14, and CP2008-15, August 5, 2008. The notice of filing is available at http://www.prc.gov/Docs/60/60651/Request_Notice_IBE_w_atts.pdf. A redacted copy of the decision was filed simultaneously and is attached to this Notice as described below.

should be included in the IDE Contracts product on the Competitive Products List.³ The Postal Service demonstrates below that the instant agreement is functionally equivalent to the previously submitted IDE agreements. Accordingly, this contract should be included within the IDE Contracts product. Because future IDE Contracts are likely to resemble this contract in form and substance, the Postal Service further requests that the instant contract be treated as the baseline for future functional equivalency comparisons.

The contract and supporting financial documentation establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. The Postal Service's application for non-public treatment of these materials is included with this filing as Attachment 1. A redacted version of the contract is included as Attachment 2, and the certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 3. In accordance with the Commission's instructions in Order No. 265,⁴ the redacted version of the Governors' Decision that authorizes IDE Contracts is included as Attachment 4. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Identification of the Additional IDE Contract

The Postal Service believes that this additional IDE Contract with NZP fits within the Mail Classification Schedule (MCS) language included as Attachment A to Governors' Decision No. 08-6. The Postal Service will advise NZP of the agreement's effective date within thirty days of completing the regulatory review process. The

³ Order No. 105 at 8; PRC Order No. 248, Order Concerning Filing of Functionally Equivalent Inbound Direct Entry Contracts Negotiated Service Agreement, Docket No. CP2009-41, July 15, 2009, at 8.

⁴ PRC Order No. 265, Order Concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-46, July 31, 2009, at 7.

agreement is scheduled to remain effective for one year, subject to automatic renewal unless terminated by the parties.

II. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the contract and related financial information should remain confidential. In accordance with Order No. 225, the Postal Service files as Attachment 1 to this Notice its application for non-public treatment of materials filed under seal. A full discussion of the required elements of the application appears in Attachment 1.

III. Functional Equivalence of IDE Contracts

The instant IDE Contract is virtually identical to that in Docket No. CP2009-41, and the Postal Service incorporates by reference its arguments regarding functional equivalence to the IDE Contracts in Docket Nos. CP2008-14 and CP2008-15,⁵ with the following exceptions:

- Term: Like the contracts in Docket Nos. CP2008-14 and CP2008-15, this contract will proceed automatically after its first year, until terminated by the parties. The contract in Docket No. CP2009-41, by contrast, has a one-year term, subject to renewal by the parties' mutual agreement.
- Confidentiality: This IDE Contract does not include the Annex on confidentiality that had been a feature of previous IDE Contracts. Rather, it features additional language in the agreement's text to explain the parties' relative confidentiality obligations in light of the Commission's new confidentiality rules. These changes, which are expected to be present in

⁵ See Notice of the United States Postal Service of Filing Functionally Equivalent Inbound Direct Entry Contracts Negotiated Service Agreement, Docket No. CP2009-41, June 29, 2009, at 3-7.

future IDE Contracts, do not affect the agreement's cost or market characteristics.

- Payment Account Details: The payment methods are the same as those provided in the contract filed in Docket Nos. CP2008-15 and CP2009-41, although the Centralized Trust Account payment method was not offered for the contract filed in Docket No. CP2008-14. This contract does not include an annex about account particulars that was added to the contract in Docket No. CP2009-41, because that annex was based on Vietnam's financial regulatory requirements.

In the Postal Service's view, these updated provisions simply add detail or elaboration to processes that were included in the prior IDE Contracts. Because this agreement and the three filed previously incorporate the same cost attributes and methodology, the relevant cost and market characteristics are similar, if not the same, for the IDE Contracts. The Postal Service does not consider that the specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contracts.

Thus, the cost and market characteristics of this agreement are substantially similar to those of prior IDE Contracts. Nothing detracts from the conclusion that these agreements are "substantially equivalent in all pertinent respects."⁶ Because the Postal Service expects the text of any future IDE Contracts to resemble the instant contract more closely than those in Docket Nos. CP2008-14 and CP2008-15, the Postal Service requests that the contract in this proceeding be treated as the baseline for future functional equivalency comparisons.

⁶ PRC Order No. 105 at 8.

IV. Conclusion

For the reasons discussed above, and on the basis of the financial data filed under seal, the Postal Service has established that this new IDE Contract is in compliance with the requirements of 39 U.S.C. § 3633 and is functionally equivalent to other IDE Contracts. Accordingly, this contract should be added to the existing IDE Contracts product and treated as the new baseline for future such contracts.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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ATTACHMENT 1

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹ the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to an additional Inbound Direct Entry (IDE) Contract which the Postal Service believes is functionally equivalent to previously filed IDE Contracts. The contract and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. Redacted copies of the contract, certified statement required by 39 C.F.R. § 3015.5(c)(2), and related Governors' Decision are filed with the Notice as Attachments 2, 3 and 4, respectively. In addition, a redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to

¹ PRC Order No. 225, Final Rules Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).² Because the portions of the materials that the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

In the case of IDE Contracts, the Postal Service believes that the only third party with a proprietary interest in the materials is the foreign postal operator with whom the contract is made. The Postal Service has already informed New Zealand Post Limited (NZP), in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Ms. Rachael Manson, Client Solutions Manager, as the appropriate contact on behalf of NZP. Ms. Manson's telephone number is +64 4 496 4334, and her email address is Rachael.Manson@nzpost.co.nz.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

² In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

In connection with its Notice filed in this docket, the Postal Service included a contract and financial work papers. These materials were filed under seal, with redacted copies filed publicly, after notice to NZP. The Postal Service maintains that the redacted portions of the contract, certification, and related financial information should remain confidential.

With regard to the IDE Contract filed in this docket, the redaction on page 2 withholds the actual price being offered to NZP in exchange for performance of its obligations under the terms of the agreement. The redactions applied to the financial work papers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the work papers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the portions of the contract that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about negotiated pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers made by the Postal Service to foreign postal operators or other customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, foreign postal operators or other potential customers could use the information to their advantage in negotiating the terms of their own agreements with the

Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

Finally, the financial work papers include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required to demonstrate that each negotiated agreement within this group covers its attributable costs. Furthermore, the Postal Service's Governors have required that each contract be submitted to the Commission with a notice that complies with 39 C.F.R. § 3015.5.³ Thus, competitors would be able to take advantage of the information to offer lower pricing to the IDE customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services market. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the contract or from the information in the work papers whether additional margin for net profit exists between the contract being filed and the contribution that IDE Contracts must make. From this information, each foreign postal operator or customer could attempt to

³ Decision of the Governors of the United States Postal Service On The Establishment of Prices and Classifications for Inbound Direct Entry Contracts with Foreign Postal Administrations (Governors' Decision No. 08-6), May 6, 2008, at 2.

negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the foreign postal operator involved in this IDE Contract could use the information in the work papers in an attempt to renegotiate its own rates by threatening to terminate its current agreement, although the Postal Service considers this risk to be lower in comparison to those previously identified.

Price information in the contract and financial spreadsheets also consists of sensitive commercial information of a foreign postal operator. Disclosure of such information could be used by competitors of the postal operator to assess the operators' underlying costs, and thereby develop a benchmark for the development of a competitive alternative.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Public disclosure of the price on Page 2 of the contract would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: NZP's negotiated price is disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the price and determines that there may be some additional profit margin between the rates provided to NZP and the statutory cost coverage that the Postal Service must produce in order for the agreement to be added to the competitive products list. The other postal operator, which was offered rates identical to those published in NZP's agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered it, or it will not use the Postal Service for its inbound direct-entry package service delivery needs.

Harm: Public disclosure of information in the financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its IDE Contracts customers under that threshold and markets its ability to guarantee to beat the Postal Service on price for international direct-entry delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the inbound direct-entry package delivery market for which the IDE product is designed.

Harm: Public disclosure of information in the financial workpapers would be used by NZP's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. The competitor analyzes the work papers to assess NZP's underlying costs for the corresponding NZP products. The competitor uses that information as a baseline to negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for international expedited and parcels products (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products (including other postal operators) should not be provided access to the non-public materials. This includes NZP with respect to all materials filed under seal except for the IDE Contract, to which NZP already has access.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30. The Postal Service believes that the ten-year period of non-public treatment is sufficient to protect its interests with regard to the information it determined should be withheld due to commercial sensitivity.

(8) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.

**Service Level Agreement Between
the United States Postal Service and New Zealand Post Limited
to
Facilitate Inbound Sack Shipments**

This Agreement is between the United States Postal Service ("USPS"), an independent establishment of the executive branch of the Government of the United States, and the New Zealand Post Limited ("NZPL").

ARTICLE 1: PURPOSE OF THE AGREEMENT

This Agreement sets out the terms and conditions upon which NZPL and USPS will cooperate to provide delivery services (the "Services") for NZPL's customers who wish to send Items or Sacks (both as defined below) to end recipients in the United States. By way of such cooperation arrangement between NZPL and USPS, NZPL's customers in New Zealand can have access to the postal services of USPS, at rates offered by USPS to its domestic customers in the United States.

ARTICLE 2: DESCRIPTION OF SERVICE

1. The purpose of this Agreement is to foster growth of international postal trade between NZPL and USPS.
2. After receipt by NZPL of Items from any Shipper, NZPL will be responsible for:
 - a. affixing USPS domestic labels onto each Item, and for such purpose, USPS hereby authorizes NZPL to affix such USPS domestic labels subject to the provisions of Article 7(1);
 - b. processing the Items in NZPL's Office(s) of Exchange;
 - c. transporting the Items to U.S. points of entry via NZPL's international network; and
 - d. presenting to USPS in Sacks containing multiple Items. USPS will, upon receipt of the Sacks, present them to the U.S. Customs & Border Protection. Once custom clearance is obtained, USPS will induct individual Items into the domestic mail stream based on the appropriate mail class, product or category and deliver them to the Recipients.

ARTICLE 3: DEFINITIONS

For the purposes of this Agreement, the following terms shall have the following meanings:

1. "Item" means any individual parcel, envelope, or other mailpiece deposited by Shippers with NZPL in New Zealand for onward delivery to Recipients in the United States using the domestic postal services of USPS;

2. "Recipient" means a legal or natural person who is the end recipient in the United States of one or more Items or Sacks sent by a Shipper through NZPL and delivered by USPS in the United States;
3. "Sack" means a bag containing one or more Items and weighing not more than 70 pounds (31.75 kg) that NZPL transmits to USPS for onward delivery to Recipients in the United States;
4. "Services" has the meaning given in Article 1;
5. "Shipment" means a dispatch of one or more Sacks which collectively contain at least five Items from NZPL to USPS for delivery to Recipients;
6. "Shipper" means a legal or natural person who deposits one or more Items with NZPL in New Zealand for onward delivery to Recipients in the United States using the domestic postal services of USPS;
7. "U.S." mean the United States; and
8. "US\$" or "\$" means United States dollars, the lawful currency of the United States.

ARTICLE 4: PRICES

1. The following pricing structure applies to all inbound Shipments:
Total Price per Sack = Sack Handling Charge + (Sum of Applicable U.S. Domestic Postage for each Item) + Special Services Fee (per Item as applicable)
2. A Sack handling charge of [REDACTED] will be applied to each Sack that is dispatched by NZPL.
3. USPS domestic rates will be available in the following options:
 - a. First-Class Mail Parcel
 - b. Priority Mail, Commercial Base

Note: Delivery Confirmation or Signature Confirmation is required on all items. As a result, NZPL must pay an additional fee for the use of Delivery Confirmation on First-Class Mail parcels.

The specific rates for each option can be found in **Annex 1**.
4. Prices/Fees for Special Services can be found in **Annex 1**.
5. Customs duties and taxes for Items shipped under this Agreement are the responsibility of the Recipient unless otherwise designated. In no event shall the USPS be responsible for any such charges.
6. All prices, fees and charges payable to USPS are subject to adjustments based on periodic updates to USPS's cost attributions and published domestic rates. USPS will give NZPL thirty days written notice in advance of the effective date of any change in applicable prices, fees or charges. USPS and NZPL agree to explore volume-based discounts in the future in the event that volume levels of items increase. Such volume level increases necessary to commence said exploration shall be mutually agreed upon by the parties from time to time and are subject to internal and regulatory approval.

ARTICLE 5: ITEM SPECIFIC PREPARATION REQUIREMENTS

NZPL will ensure that each of the following Item preparation requirements are complied with.

1. Item Dimensions and Weight. Each Item shipped under this Agreement must conform to the size and weight limitations for the relevant price option described in Annex 2 of this Agreement and in the United States Postal Service Domestic Mail Manual, available at pe.usps.gov. NZPL agrees to communicate these requirements to Shippers as a condition of Shipment. Parcels that do not meet the size and weight requirements as outlined by the USPS will be charged additional dimension and balloon rates.
2. Item Contents. All Items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in the Domestic Mail Manual. Items shall conform to the importation restrictions of the United States as set forth in the International Mail Manual section 710 entitled Treatment of Inbound Mail, which can be accessed online at http://pe.usps.com/text/imm/immc7_001.htm; and in accordance with the United States country listing in the Universal Postal Union's List of Prohibited Items, which can be accessed at the Universal Postal Union website at: http://www.upu.int/customs/en/country_list_en.pdf. Items should also conform to USPS' regulations on Mailable Dangerous Goods as set forth in the International Mail Manual section 135 entitled Mailable Dangerous Goods, which can be accessed online at http://pe.usps.com/text/imm/immc1_013.htm. USPS shall not be responsible for the contents or customs status of any items imported under this Agreement. For items seized or disposed of by U.S. Customs and Border Protection Agency and not released, NZPL will not be charged domestic postage for those items. For items detained but eventually released, applicable domestic postage will apply. In any event, the sack handling fees shall apply. NZPL agrees to communicate these requirements to shippers as a condition of shipment.
3. Item Labeling. Each Item will display the appropriate label consistent with U.S. domestic mail regulations, including displaying a U.S. return address. NZPL may open a P.O. Box address for this purpose at ZIP Codes corresponding to each International Service Center (Office of Exchange). A completed Customs Declaration form will be affixed to each Item. This form shall either bear no barcode or bear the same barcode as on the domestic mail label. These details are outlined in **Annex 4**. NZPL agrees to communicate these requirements to Shippers as a condition of Shipment.

ARTICLE 6: SACK PREPARATION REQUIREMENTS

NZPL will ensure that each of the following Sack preparation requirements are complied with.

1. Items with a declared value of over US\$2,000 may require formal customs clearance, as determined by U.S. Customs and Border Protection, and may be subject to administrative fees by USPS, in addition to any duties and taxes assessed by U.S. Customs and Border Protection.
2. NZPL shall not accept any shipment under this Agreement containing fewer than five Items per Shipper per transaction.
3. Only the USPS domestic products listed in Article 4(3) above may be commingled in a Sack containing Items under this Agreement. International products, including but not limited to Express Mail Service (EMS) and Air

Parcels (Air CP), may not be commingled in sacks containing items under this Agreement.

4. The total weight of each Sack may not exceed 70 pounds (approx. 31.75 kg).
5. Multiple Sacks can be assigned to a Shipment. They should be numbered sequentially with the final Sack labeled as the "F" Sack.
6. Hard copies of PS Form 3152, shipment manifest, dispatch receptacle package content report, and postage statement shall be placed with the dispatch inside the final Sack.
7. NZPL, using Global Shipping Software (GSS) (see Article 7 below), will prepare a postage statement or postage statements. Hard copy of this postage statement(s) need to be included in each dispatch with a separate postage statement for each mail class. Pre-alert of the shipment will be sent by email to an address provided by USPS, Attention: Global Business Asia Pacific Group. The pre-alert should include information on:
 - a. Dispatch OE
 - b. Destination OE
 - c. Flight Number and airline
 - d. Departure & Arrival Time
 - e. Total number of sacks in the dispatch
 - f. Total number of packages in each sack
 - g. Total number of packages in the dispatch
8. Sack identification
 - a. Each sack will contain a 29-character UPU barcode with a "CD" as mail subclass code.
 - b. Each Sack shipped under this Agreement will be easily identifiable and distinguishable from other Sacks by use of uniquely colored visual identifiers affixed to each Sack.
9. To expedite the processing and delivery of the packages, NZPL may present Shipments to corresponding ISCs based on routing requirements, especially for zone-based Priority Mail shipments. The specific routing instructions can be found in **Annex 5**.

ARTICLE 7: TECHNICAL REQUIREMENTS OF NZPL

NZPL will ensure that each of the following technical requirements are complied with.

1. Global Shipping Software Requirements.

The Global Shipping Software ("GSS") application will allow NZPL to print USPS domestic mail labels within the scope of this Agreement only. NZPL must adhere to all hardware, software, and security requirements associated with using the GSS application, as outlined in **Annex 6**. In addition, NZPL must comply with any and all applicable intellectual property rights and

obligations, including those set forth in the terms and conditions of the GSS software or application.

2. Data requirements.
 - a. Package Details. All item-level details requested by the GSS application must be either entered manually or uploaded through an electronic file into the GSS application.
 - b. Customs Pre-advice. NZPL will provide customs pre-advice where technically feasible or if otherwise required by U.S. Customs & Border Protection. To the extent that NZPL develops appropriate electronic communications platforms, customs pre-advice will be required for all Shipments.
 - c. Package-Sack Nesting. All individual pieces must be associated with a Sack through a receptacle-level scan. Barcode and package-level details must be nested within corresponding Sack barcodes.
 - d. Tracking and Barcode Mapping. GSS will enable mapping of NZPL's unique package ID to USPS domestic barcodes. USPS will provide domestic tracking events which include notification for items detained by U.S. Customs & Border Protection, and delivery and signature confirmation (optional) tracking events back to GSS for retrieval by NZPL.

ARTICLE 8: FINANCIAL REQUIREMENTS OF NZPL

NZPL will ensure that each of the following financial requirements are complied with.

1. USPS Permit Account. NZPL will open one or more permit accounts with USPS. USPS will facilitate the establishment of permit accounts for NZPL. However, NZPL shall still be responsible for the permit application fee of \$185.00, which can be paid in a method determined by USPS. NZPL will also designate a financial point of contact in case of any issues with outstanding balances or insufficient funds. NZPL may use one of the following methods to pay for postage and fees (such as Sack handling fees, Special Services fees, and billing adjustments, but excluding the permit application fee):
 - a. **Centralized Debit Account** — NZPL may designate a debit-enabled bank account for postage charges. This account must be with a U.S. bank and must meet any and all requirements for such accounts under U.S. statutes, regulations, or other law. The bank account will be debited for each day's total postage and fees on the next bank business day.
 - b. **Centralized Trust Account** - NZPL deposits funds using electronic funds transfer to the USPS Centralized Account Processing System (CAPS) bank prior to shipping. The CAPS account is automatically reduced when local post offices process postage statements. Additional fees will be deducted accordingly.
2. Postage Statement. A hard copy of the applicable USPS Postage Statement will need to be included in each dispatch, and in the case of multiple sack

dispatch, in the final ("F") sack. Postage statements for distinct mail classes are required to be submitted separately. To the extent that GSS does not have the capability to process sack handling or other charges, these charges will be invoiced to NZPL on a monthly basis. All items are subject to electronic verification process for revenue protection purposes. Upon verification via USPS's Electronic Verification System (eVS), postage will be electronically deducted from NZPL's *PostalOne!* postage payment account. NZPL can review the results of postage samplings online.

3. Revenue Tracking. NZPL shall establish a mechanism to track revenue and periodically reconcile it with USPS.
4. Commercial Customs Clearance. NZPL is responsible for paying all service charges incurred as a result of using a commercial broker for commercial customs clearance services.

ARTICLE 9: RETURN SERVICE, CUSTOMER INQUIRIES AND COMPENSATION

1. Return Service. USPS domestic rates only cover return service to the U.S. return address on the mail label. To the extent that NZPL elects to make arrangements for the return of any items via international mail, NZPL will be required to pay regular international postage to be applied to the destination location. In the event that USPS handles any such return services, additional administrative fees shall be applicable and will be charged to NZPL accordingly. Any such administrative fees may be subject to internal or regulatory approvals.
2. Customer Inquiries.
 - a. Inquiries from Recipients**. USPS shall be responsible for responding to inquiries by Recipients about Shipments governed by this Agreement, in accordance with USPS's domestic customer service standards. NZPL shall forward any and all such inquiries that it receives to the designated USPS Global Business contact. NZPL will provide the designated USPS Global Business contact with such item-level details as USPS may require to respond to those inquiries.
 - b. Inquiries from Shippers**. NZPL shall be responsible for responding to inquiries by Shippers about Shipments governed by this Agreement, in accordance with NZPL's domestic customer service standards. USPS shall forward any and all such inquiries that it receives to the designated NZPL contact. The designated NZPL contact must be available to accept any such forwarded inquiries by both telephone and e-mail. USPS will provide the designated NZPL contact with such item-level details as NZPL may require to respond to those inquiries.
 - c. Undeliverable Returns**. USPS shall not be responsible for any international returns for undeliverable Items. Any undeliverable Items shall be returned to the U.S. return address required under Article 5 Section 3 of this Agreement but shall be subject to the requirements related to undeliverable mail found in the USPS Domestic Mail Manual, which can be accessed at http://pe.usps.com/text/dmm300/dmm300_landing.htm.
3. Compensation. All compensation terms and conditions of USPS (the "Compensation Policy") applicable to its U.S. customers in respect of its domestic delivery services shall apply to the Shippers in the same manner in

respect of any Items to be delivered by USPS to the Recipients under this Agreement. In addition, NZPL acknowledges that at this time, USPS does not offer indemnity or insurance for Items covered under this Agreement unless insurance is purchased separately. Accordingly, unless the Parties agree to expand the services to include insurance for Shippers under this Agreement, which would require a separate written agreement, USPS shall have no such liability.

ARTICLE 10: SERVICE STANDARDS

Products or services under this Agreement carry no day or time-specific guarantee. Applicable domestic service standards apply once the mail is entered into the U.S. domestic mailstream.

ARTICLE 11: CUSTOMS INSPECTION

If held by U.S. Customs & Border Protection, shipments governed by this agreement shall be expected to follow the same processes as those then in effect for inbound EMS and Air CP products, or any such other processes as required by U.S. Customs & Border Protection. USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, NZPL understands that all contents of any item, including items that are treated as sealed mail under USPS regulations, are subject to inbound search and inspection by U.S. Customs & Border Protection, regardless of when the USPS elects to conduct verification and acceptance of any inbound items.

ARTICLE 12: FORCE MAJEURE

1. Neither Party shall be liable to the other for its failure or delay to perform its obligations under the terms of this Agreement to the extent that such failure or delay is due to any contingency beyond its reasonable control, including without limitation, acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and 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 (each a "Force Majeure Event").
2. In the event that either Party is delayed or prevented from performing its obligations under this Agreement by a Force Majeure Event, such Party shall:
 - a. give notice in writing in accordance with Article 27 of this Agreement, of such delay or prevention to the other Party as soon as reasonably possible, stating the commencement date and extent of such delay or prevention, the cause thereof and its estimated duration;
 - b. use all reasonable endeavors to mitigate the effects of such delay or prevention on the performance of its obligations under this Agreement; and
 - c. resume performance of all its obligations as soon as reasonably possible after the removal of the cause of the delay or prevention.
3. As soon as practicable following the affected Party's notification, the Parties shall consult with each other in good faith and use all reasonable endeavors to agree

appropriate terms to mitigate the effects of the Force Majeure Event and to facilitate the continued performance of this Agreement.

4. The affected Party shall notify the other Party as soon as practicable after the Force Majeure Event ceases or no longer causes the affected Party to be unable to comply with its obligations under this Agreement. Following such notification, this Agreement shall continue to be performed on the terms existing immediately prior to the occurrence of the Force Majeure Event unless agreed otherwise by the Parties.

ARTICLE 13: LEGAL STATUS OF THIS AGREEMENT

This Agreement constitutes a legally binding agreement on the part of each signatory hereto. The Parties acknowledge that this Agreement sets out the terms and conditions of a negotiated contractual arrangement between the Parties and is not an agreement entered into or subject to international law. This Agreement does not involve the creation of a wholly-owned subsidiary of any Party or a joint venture company or partnership funded in any ratio by the Parties. The Parties do not intend that any agency or partnership relationship be created between any of them by this Agreement.

ARTICLE 14: ENTIRE AGREEMENT

1. This Agreement, including its Annexes and any other documents or portions of documents that are expressly incorporated into this Agreement by reference, constitutes the entire agreement between the Parties in respect of the matters dealt with in them and supersedes any previous arrangement, understanding or agreement between them relating to such matters. The entire Agreement will be filed with the Postal Regulatory Commission with a notice to add it to the competitive products list.
2. No representations, negotiations, or conditions, either oral or written, shall bind the Parties except as expressly set out in this Agreement. Each Party acknowledges that, in entering into this Agreement and any documents referred to in it, the Party does not rely on, and shall have no remedy in respect of, any statement, representation, assurance or warranty of any person other than as expressly set out in this Agreement or those documents.
3. Nothing in this Article 14 operates to limit or exclude any liability for fraud.

ARTICLE 15: AMENDMENT AND WAIVER

1. This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of NZPL and USPS. Neither a Party's acquiescence in any performance at variance to this Agreement nor a Party's failure to exercise any right or enforce any obligation shall be deemed an amendment to this instrument. Any amendment to this Agreement may be contingent upon any and all necessary approvals by Postal Service Management, the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If such approvals are required, such amendment will not become effective until such time as all necessary approvals are obtained.

2. 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 16: ASSIGNMENT

This Agreement may not be assigned in whole or in part by any Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld or delayed). Each Party may, however, delegate certain of its responsibilities under this Agreement to a subsidiary or other affiliate entity within its organizational structure without the need for consent by the other Parties so long as such subsidiary or entity would be bound by this Agreement. Any purported assignment which does not comply with the terms of this Article shall, as between the Parties, be null and void.

ARTICLE 17: TERMINATION

1. Each Party has the right to terminate this Agreement at any time during the term of this Agreement upon giving the other Party at least 30 days prior written notice.
2. Termination of this Agreement shall be without prejudice to any rights, obligations and liabilities of any Party accrued up to and including the effective date of such termination. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of termination.
3. Immediately upon termination of this Agreement the Parties shall stop all use of each other's proprietary information or intellectual property. The Parties agree that failure to do so will cause harm to the owner of such proprietary information or intellectual property.
4. Except for any indemnification due and with respect to intellectual property usage, the Parties shall not have any other liability to one another in the event of termination under this Article, except that this Article and all provisions related to confidentiality, applicability of other laws, dispute resolution, construction, notices, indemnification, and liability shall survive this Agreement.

ARTICLE 18: APPLICABILITY OF OTHER LAWS

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. § 601 et seq.).
2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on

each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.

3. The Parties understand that USPS is required to provide copies of this Agreement to the United States Department of State and the Postal Regulatory Commission, and a copy of this Agreement may be posted on the Commission's public website.

ARTICLE 19: TERM

USPS will notify NZPL of the commencement date of the Services (the "Effective Date") within thirty (30) days after the satisfaction of the Conditions Precedent (as defined below), which involves receiving the approval of the entities that have oversight responsibilities for the USPS. USPS shall have no obligation to notify NZPL of the status of the approval process or of potential fulfillment of the approval process. This Agreement will remain in effect for one year after the Effective Date unless terminated sooner pursuant to Article 17. Upon the expiration of this one-year period, the Agreement shall be automatically renewed for further periods unless the Parties agree otherwise or either Party chooses not to renew the Agreement by giving notice of termination in accordance with Article 17.

ARTICLE 20: CONDITIONS PRECEDENT

1. Conditions Precedent. 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 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 this Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS and no benefit shall inure to either Party.
2. Limitation on Liability and Costs. In the event that the Conditions Precedent are not fulfilled, USPS shall notify the same to NZPL in writing within seven (7) days after becoming aware that the Conditions Precedent will not be fulfilled and this Agreement shall lapse upon acknowledgement by NZPL of its receipt of such notification. In such event, USPS shall have no liability, which shall include no obligation to pay costs associated with any action taken by NZPL prior to the Effective Date. Further, in the event of lapse of this Agreement due to non-fulfillment of any Condition Precedent, the USPS shall not be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; any other damages, including but not be limited to damages for loss of business profits, business interruption, or any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

ARTICLE 21: DISPUTE RESOLUTION

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

ARTICLE 22: CONSTRUCTION

This Agreement shall be governed by and construed in accordance with the Federal law of the United States.

ARTICLE 23: INDEMNIFICATION AND LIABILITY

1. In the event that an entity not being a party to this Agreement asserts claims against NZPL or USPS ("Claims") that are attributable to the actions of the other Party to this Agreement, the latter Party shall indemnify the defending Party for, and hold the defending Party harmless from, any losses, damages or liabilities suffered by the defending Party as a result of such Claims. In that instance, the indemnifying Party shall also reimburse the defending Party for all reasonable expenses incurred in connection with investigating, preparing for, or defending any such Claim, whether in an administrative, regulatory or judicial proceeding, and whether or not the indemnified Party is named in the proceeding.
2. To the fullest extent allowed by applicable law and except for indemnification as described in the above paragraph and final settlement of any Claims, no Party to this Agreement shall be liable to the other Party for any special, indirect, incidental, punitive or consequential losses or damages or any damages for loss of business profits, business interruption or opportunity or other losses or damages of a similar nature for any reason, including, but not limited to, breach of any term of this Agreement or negligence, but excluding fraud as provided for in Article 14(3).

3. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

ARTICLE 24: LANGUAGE

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

ARTICLE 25: CONFIDENTIALITY

1. The Parties consider the rate information included in this Agreement to be commercially sensitive and agree that it should not be disclosed to third parties except as required by law. USPS will seek non-public treatment of information it determines to be eligible for protection from public disclosure when it files the Agreement with the Postal Regulatory Commission.
2. NZPL will treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the Postal Regulatory Commission.
3. NZPL acknowledges that as part of securing approval of this contract, the contract and supporting documentation will be filed with the Postal Regulatory Commission in a docketed proceeding for competitive product rates. The USPS may address confidentiality concerns in that proceeding by redacting some or all of the contents of this contract and any supporting documentation from public disclosure. NZPL authorizes the USPS to determine the scope of information about this contract, as well as about NZPL, that must be made publicly available in the Commission's docketed proceeding. NZPL further understands that any unredacted portion of this contract or supporting information will be available on the Commission's public website, www.prc.gov. On request, USPS will notify NZPL of the docket number of the Commission proceeding once assigned.

ARTICLE 26: SEVERABILITY

1. If any of the provisions of this Agreement shall be held void or unenforceable, the other provisions shall survive and remain in full force and effect, subject only to either Party's unilateral right to terminate this Agreement in accordance with Article 17.
2. If any void or unenforceable provision would be valid, enforceable or legal if some part of it were deleted or modified, the provision shall apply with whatever modification is necessary to give effect to the commercial intention of the Parties.

ARTICLE 27: NOTICES

1. Unless otherwise provided herein, any notice or other document required to be given under this Agreement:
 - a. shall be in writing in the English language;
 - b. shall be sent for the attention of the person, and to the address, fax number or email addresses mutually agreed upon by the Parties;
 - c. shall be (i) sent by fax, (ii) sent by pre-paid first-class post or recorded delivery or (iii) sent by e-mail.

2. Any such notice is deemed to have been received:
 - a. if sent by fax, at the time of transmission, provided that an error-free transmission report has been received by the sender;
 - b. if sent by pre-paid first-class post or recorded delivery, thirty (30) days from the date of posting;
 - c. if sent by e-mail, at the time when receipt of such e-mail is acknowledged by the address; or
 - d. if deemed receipt under the previous paragraphs of this Article 27(2) is not within business hours (meaning 9:00 am to 5:30 pm Monday to Friday on a day that is not a public holiday in the place of receipt), when business next starts in the place of deemed receipt.

3. The Parties hereby designate the following representatives for notice purposes:

USPS: Mr. Musawwir Khan

475 L'Enfant Plaza SW, Room 1140, Washington, DC 20260-1140, USA

Ph: +1 202 268 2890

Fax: +1 202 268 3609

Email: musawwir.a.khan@usps.gov

NZPL: Ms. Rachael Manson

Private Bag 39990

Wellington Mail Centre

Lower Hutt 5045

New Zealand

Ph: +64 4 496 4334

Fax: +64 4 496 4340

Email: Rachael.Manson@nzpost.co.nz

4. In each case of providing notice, NZPL shall also provide an additional informational copy to:

General Counsel
United States Postal Service
475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1100 USA
Telephone: +1 202-268-2951
Telecopier: +1 202-268-6981

EXECUTION VERSION

EXECUTION

The Parties have caused this Agreement to be executed on its behalf by its duly authorized officer, with the date of entry being the date of the last signature entered below.

Head of New Business
Development
New Zealand Post Limited

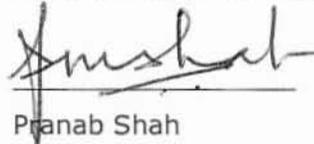


Don Ponsford

10/08/09

Date

Managing Director
Global Business
& Vice President
United States Postal Service



Pranab Shah

8/18/09

Date

ANNEX 1 – Specific Rate Information

ANNEX 2 – Detailed Item Dimensions and Weight Restrictions

ANNEX 3 – Detailed Item Content Restrictions

ANNEX 4 – Detailed Item Labeling Requirements

ANNEX 5 – ISC Routing Details

ANNEX 6 – Detailed GSS Requirements

ANNEX 1 – Specific Price Information

The prices listed in this Annex for Options 1 and 2 are contingent upon any and all necessary approvals for corresponding USPS rates by the USPS Governors, the USPS Board of Governors, and/or the U.S. Postal Regulatory Commission. If the corresponding prices are approved at different amounts from those appearing below, the approved prices shall apply and the prices listed below shall be modified accordingly.

The prices listed in this Annex for Option 2 include Delivery Confirmation service.

All prices listed in this Annex apply to products prepared in accordance with the corresponding requirements and/or description in Annex 2, including any required use of specially-designed USPS packaging.

Other products may become available as requested.

Option 1: First-Class Mail Parcel

The following rates are applicable regardless of U.S. destination or point of entry and exclusive of any applicable special services.

Weight Not Over			Rate ²	Rate ² (effective May 11 th , 2009)
Ounces ¹	Grams	KG	USD	USD
1	28.3	0.03	\$1.17	\$1.22
2	56.7	0.06	\$1.34	\$1.39
3	85	0.09	\$1.51	\$1.56
4	113.4	0.11	\$1.68	\$1.73
5	141.7	0.14	\$1.85	\$1.90
6	170.1	0.17	\$2.02	\$2.07
7	198.4	0.2	\$2.19	\$2.24
8	226.8	0.23	\$2.36	\$2.41
9	255.1	0.26	\$2.53	\$2.58
10	283.5	0.28	\$2.70	\$2.75
11	311.8	0.31	\$2.87	\$2.92
12	340.2	0.34	\$3.04	\$3.09
13	368.5	0.37	\$3.21	\$3.26

1. For keys and ID devices, add \$0.74. If more than 13 ounces, see Priority Rates.
 2. Rates based on and must be paid in USD.
 3. Each item requires *at least* Delivery Confirmation service.

Option 2: Priority Mail, Commercial Base Prices

The minimum postage amount per addressed piece is the 1-pound price. The Priority Mail price up to 1 pound (0.45 kg) is based on weight only; prices for pieces weighing more than 1 pound (0.45 kg) are based on weight and zone. Commercial Base prices, which are discounted from retail prices, are offered to NZPL which will generate shipping labels by using GSS online solutions.

Zone-based pricing is based on weight, distance, and shape.

Individual items, including Flat-Rate supplies and zone-based prices, cannot exceed 31.75 kg (70 pounds) in mass.

Note that dimensional or balloon rates may apply for packages exceeding length and girth restrictions.

* Prices shown in the table below are discounted prices for NZPL:

Weight Not Over (pounds)	KG	Zone						
		Local, 1 & 2	3	4	5	6	7	8
Flat-Rate Envelope	-	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Small Flat-Rate Box	-	4.80	4.80	4.80	4.80	4.80	4.80	4.80
Regular Flat-Rate Box	-	9.85	9.85	9.85	9.85	9.85	9.85	9.85
Large Flat-Rate Box Domestic	-	13.50	13.50	13.50	13.50	13.50	13.50	13.50
1	0.45	4.80	4.80	4.80	4.80	4.80	4.80	4.80
2	0.91	4.80	4.99	5.37	6.67	7.18	7.69	8.30
3	1.36	5.08	5.81	6.64	8.15	9.35	10.07	11.41
4	1.81	5.64	6.60	7.62	9.78	11.29	12.29	14.03
5	2.27	6.33	7.58	8.55	11.56	12.98	14.43	16.37
6	2.72	6.98	8.60	9.84	13.34	14.64	16.62	18.71
7	3.18	7.68	9.58	11.14	15.23	16.34	18.76	21.04
8	3.63	8.14	9.95	12.24	16.70	17.76	20.61	23.63
9	4.08	8.37	10.64	13.04	18.00	19.18	22.41	26.30
10	4.54	9.05	11.49	14.16	19.50	21.26	24.59	28.59
11	4.99	9.76	12.37	15.33	21.05	23.38	26.78	30.93
12	5.44	10.36	13.20	16.45	22.56	25.45	28.96	33.22
13	5.9	10.64	13.53	16.92	23.78	27.30	30.11	34.36
14	6.35	11.01	14.14	17.67	24.86	28.82	31.81	36.08
15	6.8	11.47	14.74	18.55	25.61	29.43	32.14	36.85
16	7.26	11.84	15.26	19.12	26.17	30.08	32.86	37.76
17	7.71	12.25	15.77	19.49	26.78	30.89	33.72	38.75
18	8.16	12.49	16.27	19.91	27.35	31.51	34.33	39.66
19	8.62	12.90	16.65	20.20	28.01	32.26	35.23	40.66
20	9.07	13.23	16.87	20.57	28.47	32.88	35.90	41.58
21	9.53	13.60	17.11	20.89	28.94	33.40	36.51	42.38
22	9.98	13.92	17.43	21.22	29.60	34.14	37.37	43.44
23	10.43	14.24	17.67	21.82	30.12	34.76	37.99	44.20
24	10.89	14.57	17.86	22.48	30.73	35.47	38.89	45.30

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25	11.34	14.89	18.13	23.23	31.25	35.99	39.45	46.06
26	11.79	15.21	18.32	23.97	31.91	36.84	40.31	47.53
27	12.25	15.63	18.60	24.68	32.33	37.36	40.88	49.31
28	12.7	16.10	18.82	25.33	32.76	37.88	41.50	51.12
29	13.15	16.61	19.01	26.09	33.18	38.35	42.07	52.74
30	13.61	17.11	19.30	26.78	33.64	38.87	42.64	54.50
31	14.06	17.58	19.48	27.53	34.07	39.39	43.21	56.31
32	14.51	18.04	19.94	28.24	34.49	39.92	44.25	58.09
33	14.97	18.27	20.46	28.88	34.92	40.44	45.48	59.75
34	15.42	18.45	21.01	29.39	35.66	41.62	46.72	61.52
35	15.88	18.68	21.52	29.81	36.42	42.75	48.00	63.29
36	16.33	18.87	22.08	30.19	37.22	43.83	49.28	65.06
37	16.78	19.05	22.54	30.62	37.92	44.97	50.57	66.82
38	17.24	19.24	23.10	30.99	38.67	46.25	51.75	68.53
39	17.69	19.47	23.58	31.36	39.47	47.38	53.09	70.36
40	18.14	19.84	24.08	31.69	40.27	48.46	54.27	72.02
41	18.6	20.25	24.54	32.06	40.64	49.60	55.60	73.41
42	19.05	20.63	25.02	32.39	41.49	50.68	56.89	74.41
43	19.5	21.04	25.43	32.72	42.43	51.91	58.16	75.37
44	19.96	21.41	25.95	33.05	43.37	52.99	59.44	76.27
45	20.41	21.78	26.41	33.38	44.31	54.18	60.73	77.17
46	20.87	22.19	26.73	33.70	45.15	55.31	61.96	78.04
47	21.32	22.57	26.91	33.98	46.15	56.54	63.29	78.94
48	21.77	22.98	27.15	34.31	47.08	57.67	64.57	79.76
49	22.23	23.36	27.34	34.59	47.92	58.71	65.91	80.56
50	22.68	23.67	27.57	34.91	48.87	59.85	66.95	81.57
51	23.13	24.14	27.76	35.52	49.81	60.98	67.56	82.43
52	23.59	24.46	27.94	36.22	50.74	61.69	68.14	83.24
53	24.04	24.92	28.13	36.83	51.64	62.16	68.71	84.06
54	24.49	25.25	28.26	37.44	52.63	62.63	69.23	84.86
55	24.95	25.67	28.46	38.19	53.56	63.10	69.80	85.58
56	25.4	26.04	28.60	38.80	54.41	63.57	70.27	86.34
57	25.85	26.45	28.78	39.40	55.25	64.01	70.80	87.11
58	26.31	26.83	28.92	40.10	55.96	64.43	71.27	87.82
59	26.76	27.24	29.06	40.76	56.34	64.86	71.69	88.44
60	27.22	27.56	29.20	41.36	56.67	65.23	72.84	89.11
61	27.67	28.02	29.29	42.11	56.95	65.99	73.97	90.31
62	28.12	28.35	29.43	42.72	57.28	66.41	75.12	91.74
63	28.58	28.81	29.57	43.38	57.56	66.79	75.88	93.17
64	29.03	29.13	29.66	44.03	57.84	67.21	76.35	94.64
65	29.48	29.55	29.75	44.59	58.12	67.55	76.78	96.12
66	29.94	29.92	30.08	45.29	58.36	67.97	77.15	97.51
67	30.39	30.34	30.50	46.04	58.97	68.30	77.59	99.04
68	30.84	30.71	30.87	46.65	59.81	68.59	77.96	100.42
69	31.3	31.13	31.29	47.25	60.71	68.96	78.35	101.90
70	31.75	31.49	31.66	48.00	60.99	69.25	78.67	103.33

Balloon	Balloon	13.23	16.87	20.57				
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1. Parcels addressed for delivery to zones 1-4 (including local) that weigh less than 20 pounds (9.07 kg) but measure more than 84 inches (213.36 cm) in combined length and girth (but not more than 108 inches or 274.32 cm) are charged the applicable price for a 20-pound (9.07 kg) parcel (balloon price).
2. Parcels addressed for delivery to zones 5-8 that exceed 1 cubic foot or 1,728 cubic inches (0.028 cubic meters or 28317 cubic centimeters) are charged based on the actual weight or the dimensional weight, whichever is greater.

Special Services

Product	Special Services	
	Electronic Delivery Confirmation	Electronic Signature Confirmation
First-Class Mail Parcel	\$0.19	\$1.95
Priority Mail Flat-Rate Envelope	\$0.00	\$1.95
Priority Mail Flat-Rate Box	\$0.00	\$1.95
Priority Mail Flat-Rate Large Box	\$0.00	\$1.95
Priority Zone Based	\$0.00	\$ 1.95

Note: Each item requires at least Delivery Confirmation service.

ANNEX 2 – Detailed Item Dimensions and Weight Restrictions

Acceptable Containers

First-Class Mail Parcel

Only parcels are acceptable containers for this rate option. No parcel may weigh more than 13 oz (0.3685 kg). No parcel may measure more than 108 inches (274.32 cm) in length and girth combined. For parcels, length is the distance of the longest dimension and girth is the perimeter at the thickest part perpendicular to length.

Priority Zone-Based

No special boxes or envelopes are needed. No mailpiece may weigh more than 70 pounds (31.75 kg). Pieces may not measure more than 108 inches (274.32 cm) in length and girth combined. For parcels, length is the distance of the longest dimension and girth is the distance around the thickest part.

Priority Mail Flat-Rate Envelope

The container for this option is a specially-designed envelope made by USPS. These envelopes can be ordered from USPS at <http://shop.usps.com> and cannot be recreated or used for any other purpose. Below are further specifications:

- The dimensions of the envelope are 12.5" X 9.5" (31.75 cm x 24.13 cm).
- The contents of the flat rate envelope must be confined within the envelope, using the flap adhesive as the primary means of closure.
- The flap must close easily, adhere to the envelope and may be secured with
- The design and shape of the envelope may not be altered or enlarged in any way to fit contents.



Priority Small Flat-Rate Box

The available container for this option is a specifically-designed box made by USPS. These boxes can be ordered from USPS at <http://shop.usps.com> and cannot be recreated or used for any other purposes. Below are the specifications:

- The box has dimensions of 8.625" x 5.375" x 1.625" (21.908 cm x 13.653 cm x 4.128 cm)
- The contents of the flat rate box must be neatly contained inside the box with adhesive packaging tape.
- The box must close securely and retain its shape when taped with adhesive.
- The shape of the box may not be changed or enlarged to fit its contents.



Priority Mail Regular Flat-Rate Box

This option applies to either of two specially-designed boxes made by USPS. These boxes can be ordered from USPS at <http://shop.usps.com> and cannot be recreated or used for any other purpose. Below are further specifications:

- The inside dimensions for the two available boxes are 11" x 8.5" x 5.5" (27.94 cm x 21.59 cm x 13.97 cm) and 13.625" x 11.875" x 3.375" (34.6075 cm x 30.1625 cm x



8.5725 cm). The two boxes are different shapes to accommodate a variety of contents.

- The contents of the flat rate box must be neatly contained inside the box with adhesive packaging tape.
- The box must close securely and retain its shape when taped with adhesive.
- The shape of the box may not be changed or enlarged to fit its contents.

Priority Mail Large Flat-Rate Box

The available container for this option is a specially-designed box made by USPS. These boxes can be ordered from USPS at <http://shop.usps.com> and cannot be recreated or used for any other purpose. Below are further specifications:

- The box has dimensions of 12" X 12" X 5.5" (30.48 x 30.48 x 13.97 cm).
- The contents of the flat rate box must be neatly contained inside the box with adhesive packaging tape.
- The box must close securely and retain its shape when taped with adhesive.
- The shape of the box may not be changed or enlarged to fit its contents.



ANNEX 3 – Detailed Item Content Restrictions

All items mailed under this Agreement must conform to the mailability requirements of the United States Postal Service, as detailed in the International Mail Manual section 710; the United States country listing in the Universal Postal Union's List of Prohibited Items; and Domestic Mail Manual section 601. Please visit http://pe.usps.com/text/imm/immc7_001.htm; http://www.upu.int/customs/en/country_list_en.pdf; and <http://pe.usps.gov/text/dmm300/601.htm> for all specific guidelines.

ANNEX 4 – Detailed Item Labeling Requirements

Each item governed by this Agreement must be labeled to include the following:

1. Valid Mailing Address: The address of the recipient must be complete and be prepared using GSS. A sample US address is as follows:
 - Joe Recipient
 - 123 Main Street
 - Arlington, VA 22209
 - U.S.A.
2. Customs declaration: A completed and accurate customs declaration will be affixed to each individual item by NZPL. Any affixed customs declaration shall either bear no barcode or the same barcode as the mail label.
3. USPS First-Class Mail or Priority Mail indicia
 - a. With NZPL's established Permit No.
 - b. Identical barcode as the CP customs declaration barcode
4. U.S. Return Address: Each item shall bear a U.S. return address that is in the same ZIP Code as the relevant International Service Center (Office of Exchange), as listed in Annex 5.
5. Optional Features (Note: Each item requires at least Delivery Confirmation service):
 - a. USPS Signature Confirmation
 - b. USPS Delivery Confirmation

ANNEX 5 – ISC Routing Details

The following table dictates the appropriate U.S. point of entry based on the destination address. This table shall also be used to determine the U.S. return address required for each package.

Until further notice by the USPS, NZPL may only enter shipments at the SFO ISC. Other entry points may be made available at the sole discretion of the USPS.

First Digit of Postal Code	Desired U.S. Point of Entry
0	JFK - New York
1	JFK - New York
2	JFK - New York
3	JFK - New York
4	ORD - Chicago
5	ORD - Chicago
6	ORD - Chicago
7	SFO - San Francisco
8	SFO - San Francisco or LAX - Los Angeles
9	SFO - San Francisco or LAX - Los Angeles

ANNEX 6 – Detailed GSS Requirements

The following hardware requirements are solely intended for creating a functional GSS workstation in New Zealand. They do not take into account any system throughput requirements, which should be considered before building a full production environment.

This equipment will be used solely for processing GSS packages. To the extent possible, NZPL will obtain two or more of each component to ensure against failure of any components.

Minimum Computer Specifications

1. The Windows XP Professional Operating System must be installed and fully patched (including the latest service packs). The Western ASCII Character Set must be supported.
2. The PC hardware specifications must meet the recommended requirements for the Windows XP operating system. In addition, the PC should have at least 1 gigabyte of memory and at least 10 gigabyte of hard drive space.
3. The PC must have sufficient USB ports for any required devices that communicate through a USB interface (see list below). If a serial port-based scale is to be used, at least one serial port must be available on the PC.
4. A monitor that can support a minimum of 1024 x 768 resolution and 16 bit color is required. A monitor that can support 1280 x 1024 resolution and 32 bit color is recommended.
5. Version 6.0 of Internet Explorer must be installed and fully patched (including the latest service packs). Although GSS may work with Internet Explorer 7.0, GSS has not been thoroughly tested in that environment.
6. The PC must have a 3-button mouse with a scroll wheel.
7. Appropriate and up-to-date anti-virus and anti-spyware software should be installed on the PC.
8. The PC should have Adobe Acrobat Reader 6.0 (or above) installed. Adobe Acrobat Reader is available for free from www.adobe.com.

Label Printer Requirements

Any label printer that uses Windows Printer drivers, supports 4" x 6" (10.16 cm x 15.24 cm) label stock, and has sufficient internal memory may work with GSS. The type of label stock -- specifically, whether it is direct thermal or thermal transfer -- is also important.

Document Printer Requirements

GSS requires access to a document printer for the generation of manifest documents. The printer must be supported by Windows drivers, able to print on Letter-sized (8.5" x 11" or 21.59 cm x 27.94 cm) paper, and either directly connected to the PC or accessible through a local network.

Barcode Scanner Requirements

If an existing package or receptacle barcode will be scanned into GSS, a USB-interface or keyboard-wedge barcode scanner should be used. A detached scanner cannot be used, because the intent is to immediately pass the scanned barcode to the GSS application when it is scanned. If a keyboard-wedge scanner is chosen, then the PC must have a PS2 keyboard port to accommodate the Y-Type interface

cable. The scanner must be able to decode all variations of Code 39 and Code 128 barcodes, as well as any unique identifier barcodes that are used internally by NZPL. The scanner must also be able to automatically append a CR/LF character to the end of the returned data to signify the end of the scanned ID.

Connectivity Requirements

GSS requires an Internet connection capable of supporting a minimum speed of 300 kb/s with USPS's Web Servers at the USPS using an SSL (HTTPS) connection. The network must be configured to allow this connectivity and throughput.

Package Scale Requirements

GSS allows package weight to be included in the initial data transmission (if known), captured from a scale attached to the workstation, or key-entered by the user.

Access Control

NZPL must employ adequate access controls when using the GSS application. Specifically, NZPL must limit the use of GSS to authorized, registered users and must appropriately protect the given usernames and passwords. NZPL must also receive written authorization from USPS before allowing any third party to access or use the GSS application.

Anti-Virus

NZPL or any user of the GSS application must have the latest updates in virus-scanning and anti-virus software, as specified by USPS.

Security Patch Updates

NZPL or any user of the GSS application must have the latest updates in security patches and/or other operating system security measures.

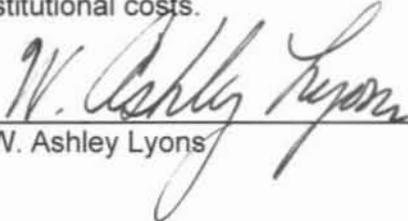
Compliance Checks

Every month, NZPL must review all of the above security measures and update USPS on the specifications of each.

**Certification of Prices for the Inbound Direct Entry Contract with
New Zealand Post Limited**

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Direct Entry Contract with New Zealand Post Limited. 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 Inbound Direct Entry Contracts with Foreign Postal Administrations, issued on May 6, 2008 (Governors' Decision No. 08-6), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the New Zealand Post Limited contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage in excess of the minimum required by the Governor's Decision, are in compliance with 39 U.S.C. § 3633 (a)(1), (2), and (3). The prices demonstrate that the contract 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 a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Direct Entry Contracts should be much smaller. The contract with New Zealand Post Limited should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



W. Ashley Lyons

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR INBOUND DIRECT ENTRY CONTRACTS WITH FOREIGN POSTAL ADMINISTRATIONS (GOVERNORS' DECISION NO. 08-6)

May 6, 2008

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 Inbound Direct Entry Contracts with Foreign Postal Administrations (FPAs). The types of contracts to which these prices will apply are described in Attachment A, the price floor and price ceiling formulas are specified in Attachment B, and management's analysis of the appropriateness of these formulas is explained in Attachment C. We have reviewed that analysis 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 which fall within the terms specified in Attachment A, and whose prices fall within the price range established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

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 would be appropriate for the services covered by the types of Inbound Direct Entry Contracts with FPAs classified in Attachment A.¹ Management's analysis of the

¹While the contracts also may contain provisions relating to direct entry by the Postal Service

formulas, included as Attachment C, supports our decision to establish prices through such formulas for the specified types of contracts.

We are satisfied that the prices established by the formulas in Attachment B meet the applicable statutory and regulatory requirements. The price floor formula provides greater than 100 percent coverage of the costs attributable to each of these types of agreements. 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 formula [REDACTED]

[REDACTED] should cover the agreements' attributable costs and provide a contribution toward the Postal Service's institutional costs. The formula should thus prevent a cross-subsidy from market dominant products. As noted in the certification in Attachment D, entry into agreements 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 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. The notice must include a financial analysis that demonstrates that the agreement covers its attributable costs, based on [REDACTED] Attachment B. The notice must also include a certification from a Postal Service official that the numerical values chosen for each agreement are appropriate, in that they represent the best available information and that the agreement 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.

overseas, this decision applies solely to the inbound price provisions of those agreements. The classification for Inbound Direct Entry Contracts with FPAs is contained in the Mail Classification Schedule language originally proposed by the Postal Service, as modified in Attachment A. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, November 20, 2007.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Inbound Direct Entry Contracts with FPAs, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement 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 entered into, the Postal Service shall comply with all applicable statutory and regulatory requirements.

Prices and classification changes established pursuant to this Decision will take effect fifteen days after the date on which the agreement is filed with the Postal Regulatory Commission.

By The Governors:

A handwritten signature in black ink, appearing to read "Alan C. Kessler", is written over a horizontal line.

Alan C. Kessler
Chairman

Attachment A

Description of Applicable Inbound Direct Entry Contracts with Foreign Postal Administrations

2612 Inbound Direct Entry Contracts with Foreign Postal Administrations

The Postal Service has ~~bilateral~~ agreements with foreign postal administrations for outbound and/or inbound direct entry mailings. To qualify, the party must be the legal authority within the country in question with jurisdiction over mail.

These agreements may contain a component whereby the foreign postal administration agrees to accept, process and deliver international mail received by the Postal Service which may bear the indicia of the foreign country. Preparation requirements are specified by the foreign postal administration.

The agreements also contain a component whereby the Postal Service agrees with the foreign postal administration to accept, process and deliver mail which may bear a U.S. indicia. Preparation requirements are specified by the Postal Service.

Size and Weight:

All size and weight restrictions for comparable domestic postal services apply as specified by the Postal Service.

Minimum Volume or Revenue Commitment:

Minimum volume requirements are set by the Postal Service.

Price Category:

Variation from otherwise agreed upon terminal dues charges, inward land rates, delivery charges, or other applicable required payments is negotiated. ~~No discounts are applied to domestic postage for those mailpieces delivered in the United States.~~ Other charges may apply. Existing published incentives for the relevant domestic postal services may be available to the Foreign Postal Administrations so long as applicable eligibility requirements are met.

Optional Features:

All optional features applicable to the relevant domestic postal services as specified by the Postal Service.

Commercial customs clearance

Logistics service

Returns service

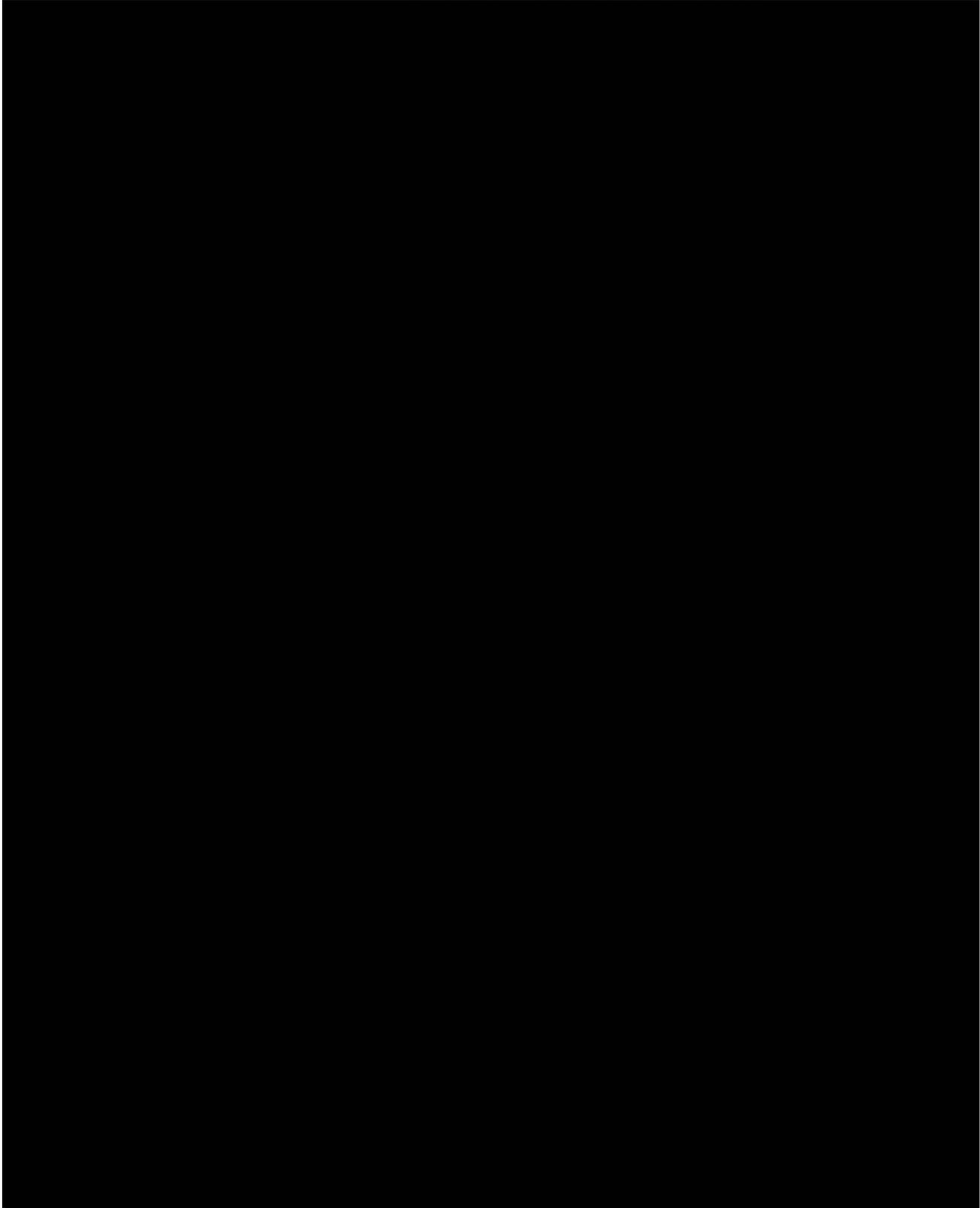
Attachment B

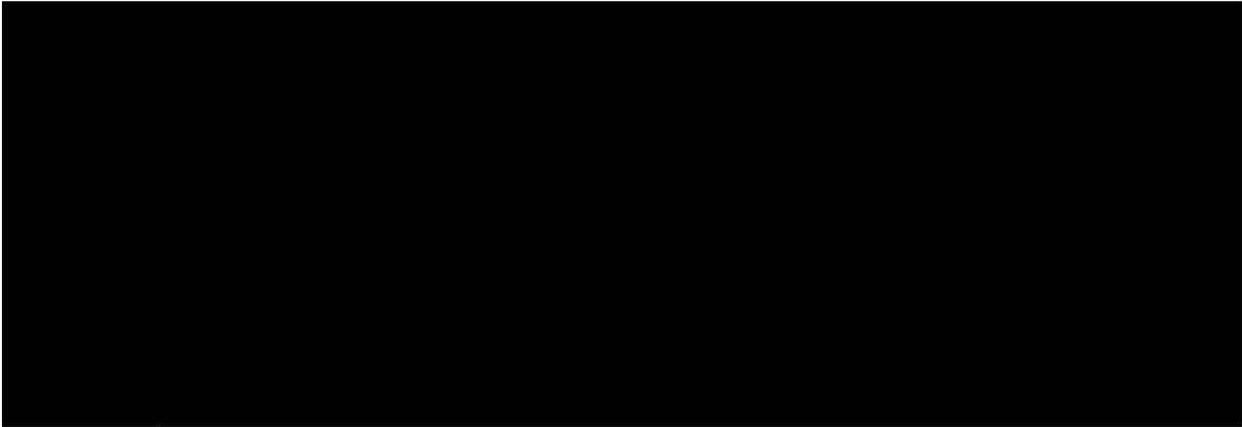
**Formulas for Prices under Applicable Inbound Direct Entry Contracts with Foreign
Postal Administrations**



Attachment C

**Analysis of the Formulas for Prices under Applicable Inbound Direct Entry
Contracts with Foreign Postal Administrations**



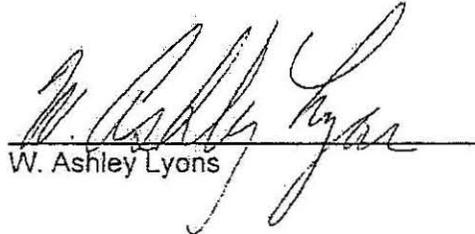


Attachment D

**Certification as to the Formulas for Prices Offered Under Applicable Inbound
Direct Entry Contracts with Foreign Postal Administrations**

I, W. Ashley Lyons, Manager, Corporate Financial Planning, Finance Department, United States Postal Service, am familiar with the price floor formula and price ceiling formula for Inbound Direct Entry Contracts with Foreign Postal Administrations which are set forth in Attachment B.

I hereby certify that these formulas adequately represent all necessary [REDACTED] [REDACTED]. If the Postal Service were to enter into agreements that set prices above the price floor, the Postal Service would be in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The price floor formula is designed to ensure that each agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2007, all outbound international competitive mail accounted for approximately 11 percent of the total contribution by all competitive products. Contribution from Inbound Direct Entry Contracts with Foreign Postal Administrations should be much smaller. Even if all the agreements for Inbound Direct Entry Contracts with Foreign Postal Administrations are signed 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