

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

COMPETITIVE PRODUCT PRICES
INBOUND INTERNATIONAL EXPEDITED SERVICES 1
NEGOTIATED SERVICE AGREEMENT

Docket No. MC2010-13

COMPETITIVE PRODUCT PRICES
INBOUND INTERNATIONAL EXPEDITED SERVICES 1
(MC2010-13)
NEGOTIATED SERVICES AGREEMENT

Docket No. CP2010-12

**REQUEST TO ADD INBOUND INTERNATIONAL EXPEDITED SERVICES 1 TO THE
COMPETITIVE PRODUCT LIST, AND NOTICE OF UNITED STATES POSTAL
SERVICE OF FILING CHINA POST GROUP – UNITED STATES POSTAL SERVICE
CONTRACTUAL BILATERAL AGREEMENT (UNDER SEAL)**
(November 20, 2009)

Pursuant to 39 U.S.C. § 3642 and 39 C.F.R. § 3020.30 et seq., the United States Postal Service (“Postal Service”) hereby requests to add Inbound International Expedited Services 1 as a product not of general applicability to the competitive product list. In addition, the Postal Service hereby gives notice, pursuant to 39 U.S.C. § 3632(b)(3) and 39 CFR § 3015.5, that the Postal Service has recently entered into a contractual bilateral agreement (“Agreement”) governing bilateral rates for Express Mail Service (“EMS”) with China Post Group (“CPG”), the public postal operator in the People’s Republic of China. Prices and classifications not of general applicability for Inbound International Expedited Services 1 were previously established by the Decision of the Governors of the United States Postal Service on the Inbound Price of Services Offered Under Express Mail International (EMS) Bilateral/Multilateral Agreements,

issued on April 1, 2008 (Governors' Decision No. 08-5).¹ Materials submitted in support of this filing demonstrate that the inbound EMS rates arising from the Agreement are in compliance with the requirements of 39 U.S.C. § 3633(a)(1), (2), and (3). Accordingly, the Postal Service requests that the Postal Regulatory Commission ("Commission") list this Agreement as a product on the competitive products list.²

The Agreement 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. In accordance with the Commission's instructions in Order No. 265 to include with such a filing the redacted Governors' Decision on which a contract is based,³ the redacted version of the Governors' Decision that authorizes Inbound International Expedited Services 1 is included as Attachment 2. Attachment 3 is the redacted version of the Agreement.⁴ Attachment 4 is the certification required by 39 C.F.R. § 3015.5(c)(2). Attachment 5 to this Request is the Statement of Supporting Justification of Kang Zhang, General Manager, Business Development, Asia/Pacific, Global Business Development, pursuant

¹ An unredacted copy of this decision and a record of the Governors' proceedings was filed under seal with the Notice of United States Postal Service of Governors' Decision on Inbound Prices under Express Mail International (EMS) Bilateral/Multilateral Agreements, Docket No. CP2008-6, May 20, 2008. The notice of filing is available at http://www.prc.gov/Docs/59/59947/Notice_Govs_Decn_Inb_EMS.pdf. A redacted copy of the decision was filed with the United States Postal Service Notice of Filing Redacted Copy of Governors' Decision No. 08-5, Docket No. CP2008-7, July 23, 2008, and is attached to this Notice for reference, as described below.

² The actual instrument executed between the Postal Service and CPG, which has been filed in this proceeding, covers both inbound and outbound EMS. This proceeding concerns only the inbound aspects of the instrument, which consequently constitute the "Agreement" within the context of this proceeding.

³ 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.

⁴ Unredacted copies of these materials and other supporting documentation establishing compliance with 39 C.F.R. § 3015.5 are being filed separately with the Commission under seal.

to 39 C.F.R. § 3020.32. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Background

On April 1, 2008, the Governors of the Postal Service issued Governors' Decision 08-5, which established prices for competitive products not of general applicability for bilateral or multilateral agreements that cover inbound EMS. On June 10, 2008, the Postal Service filed notice of Governors' Decision No. 08-5 in Docket Nos. CP2008-6 and CP2008-7.⁵ That proceeding concerned the Postal Service's notice of a competitive negotiated service agreement with CPG covering Inbound EMS prices.⁶

In Order No. 84, the Commission added the previous CPG agreement as a product not of general applicability to the competitive product list, to be identified as "Inbound International Expedited Services 1 (CP2008-7)."⁷ Performance under the prior agreement commenced on July 15, 2008, after the conclusion of Docket No. CP2008-7.⁸ The prior CPG agreement continued in force until July 14, 2009.⁹ Since that time, CPG and the Postal Service entered into negotiations on a new bilateral EMS instrument. That Agreement, which forms the basis of this filing, was executed on November 16, 2009. The Postal Service now seeks to restore the listing of the Inbound International Expedited Services 1 product on the competitive products list.

⁵ Docket No. CP2008-6 was consolidated under Docket No. CP2008-7 in PRC Order No. 79, Notice and Order concerning Prices under Express Mail International Bilateral/Multilateral Agreements, June 3, 2008.

⁶ Notice of United States Postal Service of Filing an Agreement for Inbound Express Mail International (EMS) Prices, Docket Nos. CP2008-6 and CP2008-7, May 20, 2008.

⁷ PRC Order No. 84, Order Concerning the China Post Group Inbound EMS Agreement, Docket No. CP2008-7, June 27, 2008, at 8.

⁸ See letter from Susan Duchek, Attorney, USPS, to Steven Williams, Secretary, Postal Regulatory Commission (October 31, 2008).

⁹ *Id.*

II. Identification of the CPG Agreement

The recently signed CPG Agreement provides for alternative, negotiated rates to CPG for inbound EMS, in lieu of the otherwise applicable rate for which CPG would qualify within the EMS 2 product.¹⁰ CPG has also offered the Postal Service alternative rates for EMS traffic from the United States to the People's Republic of China.¹¹ The inbound portion of the contract fits within the Mail Classification Schedule (MCS) language included as Attachment A to Governors' Decision No. 08-5, which "applies to the inbound prices for Express Mail International (EMS) Service set by bilateral and multilateral agreements."¹² The instrument's terms become effective upon all necessary approvals having been obtained by the Postal Service and notification to China Post by the Postal Service that all such approvals have been obtained, but in no case earlier than January 1, 2010. The instrument continues in force until terminated pursuant to the provisions set forth in Article 12 of the Agreement. The negotiated price offered by the Postal Service to CPG may change depending upon contingencies specified in the contract. In the event of such a change, the Postal Service shall offer CPG EMS rates reflecting an adjustment.

¹⁰ As background, the Inbound International Expedited Services 2 product was considered in Docket Nos. MC2009-10 and CP2009-12. That proceeding concerned the generally applicable tiers of rates that foreign postal operators paid the Postal Service for delivery of inbound EMS in calendar year 2009, in the absence of a negotiated agreement, such as the previous agreement executed with CPG. Generally applicable inbound EMS rates for calendar year 2010 were evaluated in Docket No. CP2009-57.

¹¹ In this docket, the Postal Service is presenting only an agreement to deliver EMS in the United States for CPG. The rates paid by the Postal Service to CPG for outbound delivery of the Postal Service's competitive products in the People's Republic of China have not been presented to the Commission. Those rates represent supplier costs to the Postal Service, which are built into the prices that the Postal Service charges its shipping customers for outbound competitive products to be delivered in China. An agreement concerning outbound competitive services with CPG would no more need to be classified as a product or otherwise subjected to prior Commission review than would an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers.

¹² United States Postal Service Notice of Filing Redacted Copy of Governors' Decision No. 08-5, Docket No. CP2008-7, July 23, 2008, Attachment A.

In essence, the new Agreement is functionally equivalent to the prior Inbound International Expedited Services 1 instrument that the Commission added to the competitive products list, with the exception that different rates may be applicable to certain flows in the new instrument. The contract exhibits the same cost and market characteristics as the predecessor Inbound International Expedited Services 1 product. Minor changes in the contract are incorporated, which include changes in standard clauses due to the adoption of new confidentiality rules by the Commission and other internal practices. Because the previous agreement expired and the classification was removed from the competitive products list, the Postal Service seeks restoration of the classification and listing of the pending contract through this consolidated filing.

III. Application for Non-Public Treatment

The Postal Service maintains that certain portions of this Agreement and related financial information should remain confidential. In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹³ the Postal Service files as Attachment 1 to this Request and 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.

IV. Conclusion

For the reasons discussed above, the Postal Service submits that the Agreement should be added to the competitive product list under a renewed listing for Inbound International Expedited Services 1.¹⁴ The Postal Service asks that the Commission approve this Request. Additionally, and on the basis of the financial data filed under

¹³ PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

¹⁴ See PRC Order No. 84, Order Concerning the China Post Group Inbound EMS Agreement, Docket No. CP2008-7, June 27, 2008, at 8.

seal, the Postal Service has established that the rates not of general applicability for the instant Agreement are in compliance with the requirements of 39 U.S.C. § 3633.

As required by 39 U.S.C. § 3642(d)(1), a notice concerning this Request will be sent for publication in the Federal Register.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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November 20, 2009

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 adding Inbound International Expedited Services 1 as a product not of general applicability to the competitive product list, and a recently signed contractual bilateral agreement governing bilateral rates for EMS service with China Post Group (CPG).

Governors' Decision 08-5, which establishes prices for competitive products not of general applicability for Inbound Express Mail International (EMS), and supporting documents, establishing compliance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. § 3015.5 are being filed under seal with the Commission. Also, a redacted version of the recently signed contractual bilateral agreement with CPG (CPG Agreement) is being filed under seal with the Commission. Redacted copies of these materials are filed publicly. In addition, a redacted version of 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

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

Service's view, this information would be exempt from mandatory disclosure pursuant to 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 filing 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 the negotiated rates such as those at issue here, the Postal Service believes that the CPG is the only third party with a proprietary interest in the materials. Due to language and cultural differences as well as the sensitive nature of the Postal Service's relationship with foreign posts, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators.³ The Postal Service identifies as an appropriate contact person Mr. Kang Zhang, General Manager, Business Development, Asia/Pacific, Global Business Development. Mr. Zhang's phone number is (202) 268-8918, and his email address is Kang.Zhang@usps.gov.

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.

³ The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's response might be construed as beyond the scope of this exception, the Postal Service respectfully requests a waiver that would allow it to designate a Postal Service employee as the contact person under these circumstances, in light of the practical considerations outlined herein.

(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;

In connection with its Request and Notice filed in this docket, the Postal Service included a contract and financial work papers, as well as Governors' Decision No. 08-5. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the contract, the Governors' decision, and related financial information should remain confidential.

With regard to the recently signed CPG Agreement, the redactions on pages 1 and 2 withhold the actual rates, as well as descriptions of those rates, that are being offered to CPG in exchange for performance of its obligations under the terms of the agreement. The redactions also withhold the rates being offered by CPG to the Postal Service in exchange for performance of its obligations under the terms of the agreement.

In addition, the Postal Service included Governors' Decision No. 08-5, along with attachments to that document, and supporting documentation in the form of financial work papers. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the Governors' Decision, along with attachments to that document, and related financial information should remain confidential. The redactions applied to the Governors' Decision and related 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 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 withheld materials 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 practice. 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.

The financial work papers concerning the recently signed CPG Agreement include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, and projections of variables. All of this information is highly confidential in a competitive business environment. If the portions of the financial work papers 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 pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practice. Competitors could use such information to assess the rates charged by the Postal Service to foreign postal operators for any

possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. The Postal Service considers this to be a highly probable outcome that would result from public disclosure of the redacted material.

Thus, competitors would be able to take advantage of the information to offer lower pricing to customers (which can include foreign posts, which are not required to use the Postal Service for delivery of EMS items destined to the United States), while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound expedited delivery services market. Additionally, foreign postal operators or other potential customers could use costing information to their advantage in negotiating the terms of their own agreements with the Postal Service. 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 (which can include foreign posts) could also deduce from the rates provided in the work papers whether additional margin for net profit exists. From this information, each foreign postal operator or customer could attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised.

Volume and price information included in the financial spreadsheets, as well as the rates charged by CPG for EMS traffic, also consist of sensitive commercial information of CPG. Disclosure of such information could be used by competitors of

CPG to assess the operators' underlying market size and its 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 redacted information on pages 1 and 2 of the contract would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service, and could be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: CPG'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 CPG 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 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 expedited delivery needs.

Harm: Public disclosure of information in the financial work papers would be used by a the Postal Service's competitors to its detriment.

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. The competitor analyzes the work papers to determine what the Postal Service would have to charge its customers (which may include foreign posts) in order for the Postal Service to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The competing package delivery service then sets its own rates for products similar to what the Postal Service offers other posts under that threshold and markets its ability to guarantee to beat the Postal Service on price for inbound EMS.

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 EMS delivery market.

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

Hypothetical: A competing international delivery service obtains a copy of the undredacted version of the financial work papers and contract from the Postal Regulatory Commission's website. The competitor analyzes the contract and work papers to assess CPG's underlying costs and volumes for its outbound EMS traffic, as well as its EMS pricing for inbound EMS traffic. The competitor uses that information to compete on price against CPG for expedited shipments entering the People's Republic of China, and also assess CPG's costs for delivery of its outbound shipments destined to the United States.

(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), as well as actual or potential customers of a postal operator or expedited/parcel integrator for this or similar products should not be provided access to the non-public materials. This

includes CPG with respect to all materials filed under seal except for the recently signed CPG Agreement, to which CPG 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.

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
INBOUND PRICE OF SERVICES OFFERED UNDER EXPRESS MAIL INTERNATIONAL (EMS)
BILATERAL/MULTILATERAL AGREEMENTS (GOVERNORS' DECISION NO. 08-5)**

April 1, 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. This decision establishes prices by setting price floor and price ceiling formulas for Inbound Express Mail International (EMS) bilateral/multilateral agreements. The types of agreements 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 are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Agreements 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 Express Mail International (EMS) bilateral/multilateral agreements described in Attachment

A.¹ Management's analysis of the formulas, included as Attachment C, supports our decision to establish prices through such formulas for the specified types of agreements.

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.

¹ The decision applies solely to the inbound price provisions of those agreements. The classification for Inbound International Expedited Services, including Inbound Express Mail International (EMS) services established by bilateral/multilateral agreements, is contained in the Mail Classification Schedule language proposed by the Postal Service and is repeated 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 Express Mail International (EMS) bilateral/multilateral agreements, 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 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", written over a horizontal line.

Alan C. Kessler
Chairman

Attachment A

**Description of Applicable Inbound Express Mail International (EMS) Service
 Bilateral/Multilateral Agreements**

This Decision applies to the inbound prices for Express Mail International (EMS) Service set by bilateral and multilateral agreements.

2115 Inbound International Expedited Services

Inbound Express Mail International (EMS)

Inbound Express Mail International is a reliable, high-speed service, available from most countries. Inbound Express Mail International may contain matter with personal information, partially or wholly hand-written or typewritten matter, or bills or statements of account. Inbound Express Mail International is sealed against inspection. There is no service guarantee or postage refund for delay. Unless covered by a negotiated agreement, indemnity is paid by the country of origin to the sender and it is not reciprocal.

Size and Weight:

	Length	Width	Height	Weight¹
Minimum	None	None	None	
Maximum	36 inches	Length plus girth: 79 inches		

¹ Country-specific restrictions may apply as specified by the originating country.

Minimum Volume: None

Price Categories:

Bilateral/Multilateral Agreements:

Bilateral Express Mail Service (EMS) The Postal Service has standard EMS bilateral agreements with a large number of countries for service standards, tracking, and tracing concerning delivery of both inbound and outbound international express mail items. Each destination administration can set its charge once a year by notifying their partners either directly no later than August 1 or via the UPU International Bureau no later than September 1 of the year prior to the effective date.

EMS Cooperative Pay for Performance The EMS Cooperative Pay-for-Performance plan has been implemented with certain countries. The EMS Pay-for-performance Plan links payment for delivery of EMS items to the quality of service performed. Charges are not covered; rather, total payments between countries account for service quality.

Kahala Posts Group The Postal Service entered into an agreement with certain postal administrations to work together to improve international postal services, particularly EMS, packages and logistic services under the name Kahala Posts

Group. This agreement does not cover charges. Inbound Express Mail International With Postage Refund Guarantee, provided under the Group's Strategic Services Agreement, is comparable to regular Express Mail International with the exception that postage refunds may be provided if date-certain delivery is not made. This service is available to and from a limited number of countries as specified in the IMM.

E Parcel Group This agreement provides for service standards, tracking, tracing, and charges for delivery of outbound and inbound air parcels and EMS destined to and originating in certain European countries.

China Post The Postal Service has a bilateral agreement with China Post which sets inbound and outbound charges for EMS and discusses improved service opportunities.

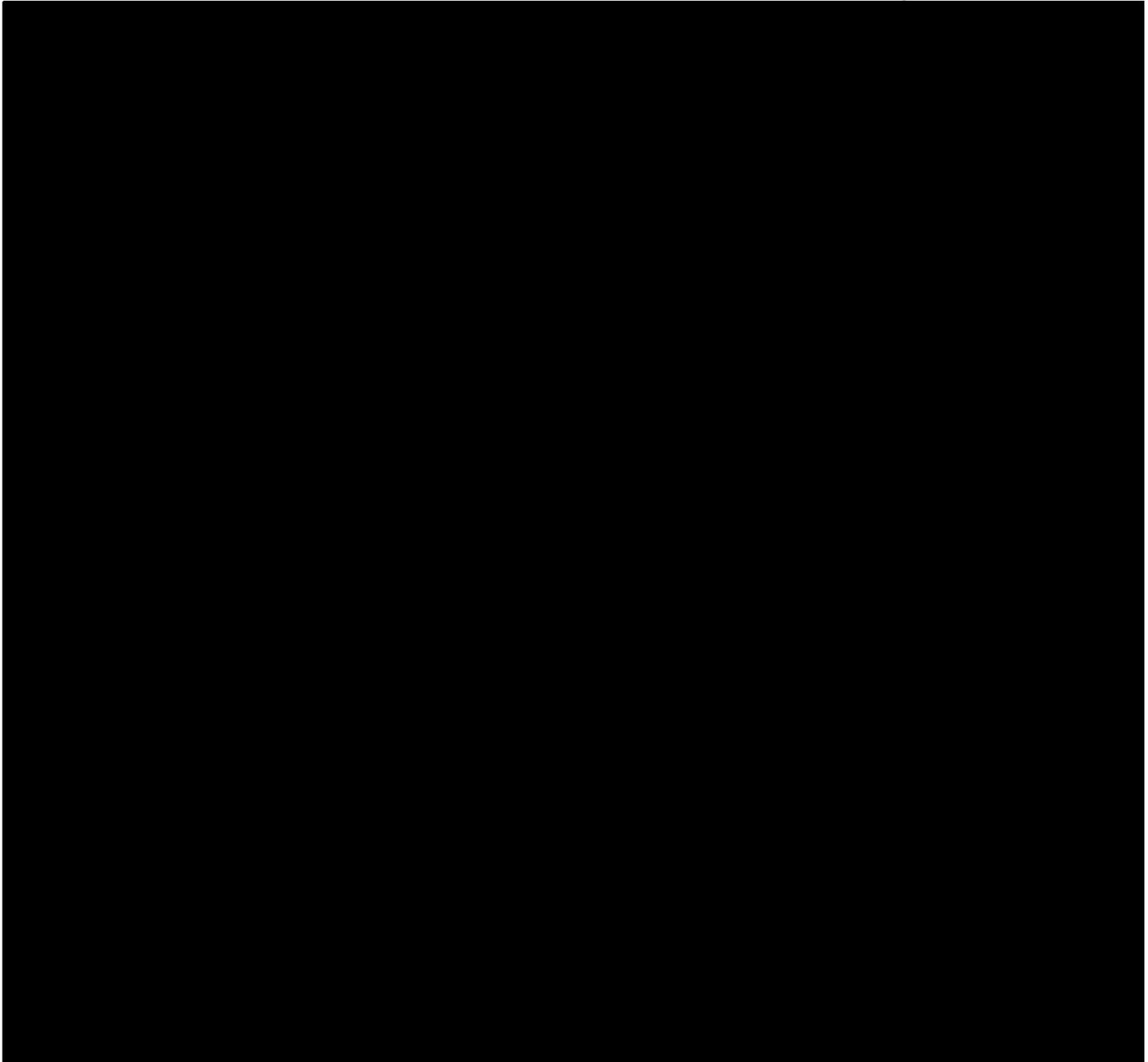
Optional Features:

Inbound International Ancillary Services

- Inbound International Insurance
- Inbound International Return Receipt
- Customs Clearance and Delivery Fee

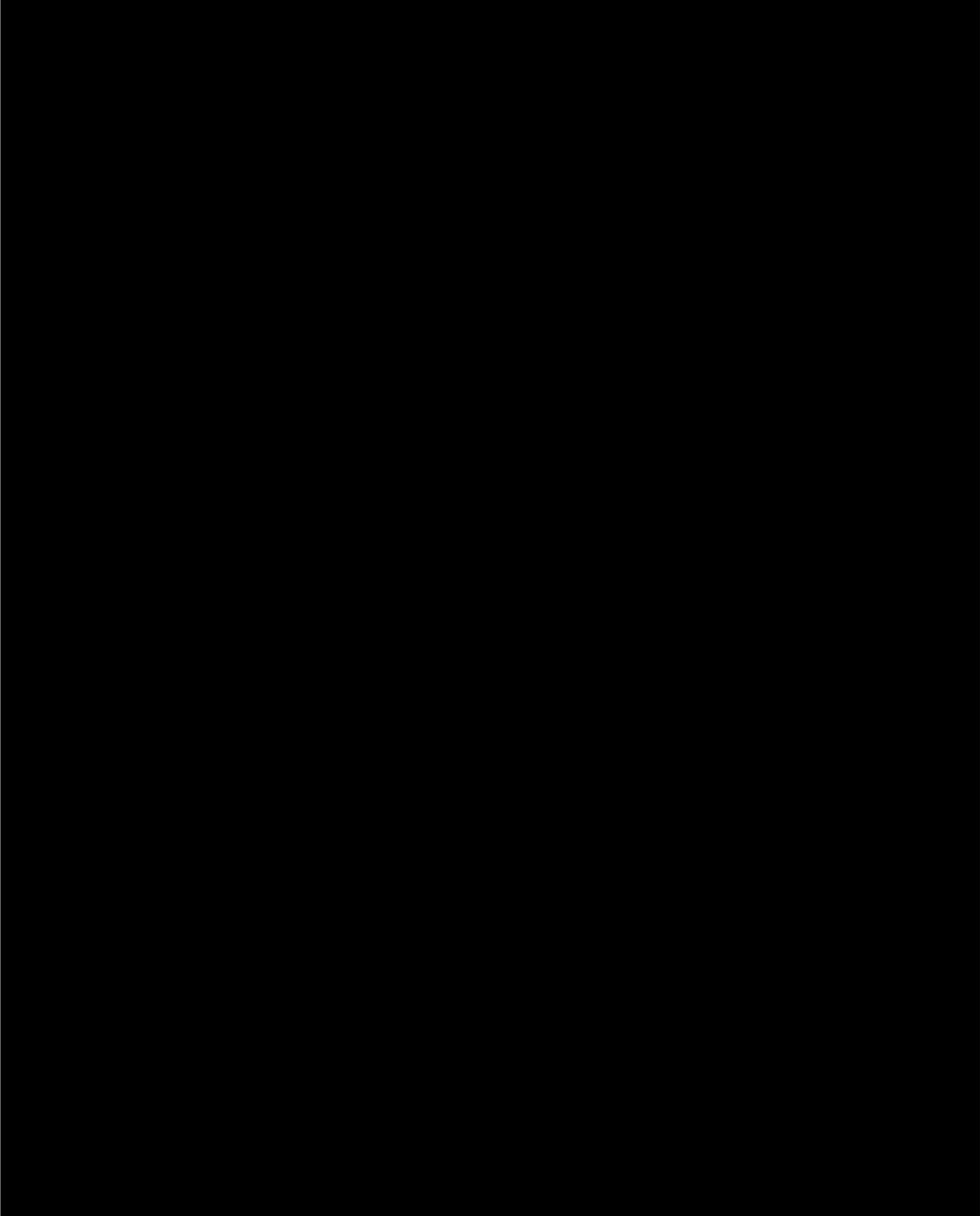
Attachment B

**Formulas for Inbound Prices Under Applicable Express Mail International (EMS)
Service Bilateral/Multilateral Agreements**



Attachment C

**Analysis of Formulas for Inbound Prices Under Applicable Express Mail
International (EMS) Service Bilateral / Multilateral Contracts**





Attachment D

Certification as to the Formulas for Inbound Prices Offered Under Applicable
Express Mail International (EMS) Service Bilateral/Multilateral Agreements

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 Express Mail International (EMS) Service Bilateral/Multilateral contracts 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 Express Mail International (EMS) Service Bilateral/Multilateral Agreements is much smaller. Even if all the agreements for Inbound Express Mail International (EMS) Service 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

CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 08-5

I hereby certify that the following Governors voted at the April 1, 2008, Board meeting on adopting Governors' Decision No. 08-5:

Mickey D. Barnett
James H. Bilbray
Carolyn Lewis Gallagher
Louis J. Giuliano
Alan C. Kessler
Thurgood Marshall, Jr.
James C. Miller III
Katherine C. Tobin

Ellen C. Williams did not attend the April 1, 2008, meeting.

The vote was 8-0 in favor.

Wendy A. Hocking
Wendy A. Hocking, Esq.
Secretary of the Board of Governors

Date: 4/7/08

**CHINA POST GROUP UNITED STATES POSTAL SERVICE
CONTRACTUAL BILATERAL AGREEMENT**

This Agreement is between the United States Postal Service (“USPS”), an independent establishment of the executive branch of the Government of the United States, and China Post Group, No. 131 West Avenue, Xuanwumen, Xicheng District, 100808, Beijing, China (“China Post”). The USPS and China Post may be referred to individually as a “Party” and together as the “Parties.”

Article 1: Purpose of the Agreement

The purpose of this contractual bilateral Agreement is to support the retention and growth of EMS traffic between China and the United States.

Article 2: Commencement Date

The terms and pricing set forth under this Agreement require the approval and/or non-objection from various entities that have oversight responsibilities for the USPS as set out in Article 3 below. Upon execution of this Agreement, the USPS shall seek such approval. The rights and responsibilities set forth in Article 5 of this Agreement shall commence upon all such approvals having been obtained by the USPS and notification to China Post by the USPS that all such approvals have been obtained, but in no case earlier than January 1, 2010. The date proposed in the USPS’s notification shall become the Commencement Date upon agreement by China Post in a return communication. The Agreement will remain in effect until terminated pursuant to Article 12.

Article 3: Conditions Precedent

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter “Conditions Precedent”) one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS management’s executive committee, the Governors of the USPS, and the U.S. Postal Regulatory Commission. The Parties acknowledge that the Agreement might not be approved by such bodies. No obligation shall exist for the USPS or China Post and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Commencement Date occurs and upon such occurrence the Condition Precedents shall have been fulfilled.

Article 4: Limitation on Liability and Costs

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

Article 5: Services and Prices

1. As of January 1, 2010, the USPS’s EMS rates will be as specified in Universal Postal Union (“UPU”) International Bureau Circular No. 208 of September 14, 2009 China Post’s rates offered to other posts for EMS delivery are specified in the EMS Operational Guide
2. To further stimulate the growth in EMS services, USPS will offer China Post a [REDACTED]

[REDACTED] For illustrative purposes, as of the Commencement Date of this Agreement, USPS will offer China Post rates of [REDACTED] for the

- exchange of EMS from China to the United States. The [REDACTED] constitutes [REDACTED] In [REDACTED] turn, China Post will offer the USPS [REDACTED] [REDACTED] for the exchange of EMS items from the United States to China. The date at which [REDACTED] will become effective shall be the later of January 1, 2010 or the Commencement Date of this Agreement, in accordance with Article 2.
3. The [REDACTED] offered by USPS to CPG will remain in effect until such time as the Parties either terminate this Agreement under Article 12 or agree to amend the rate under Article 8. Unless as otherwise agreed by the Parties, the [REDACTED] price offered by the USPS to China Post as illustrated in the paragraph above will be extended by USPS under this agreement until such time as the [REDACTED] In the event of [REDACTED] USPS shall offer China Post EMS rates [REDACTED] [REDACTED] however, the [REDACTED] offered by the USPS to China Post will reflect a [REDACTED] beginning on the date [REDACTED]
 4. The [REDACTED] price offered by China Post in paragraph 2 will be offered to the USPS until such time as the Parties either terminate this Agreement under Article 12 or agree to amend the rate under Article 8.
 5. Both China Post Group and USPS intend to explore cost avoidance measures to enhance the competitiveness of the product.
 6. China Post and USPS will use existing methods to settle EMS delivery charges. Both China Post Group and USPS intend to collaborate on the development of an efficient financial settlement mechanism on EMS exchanges.
 7. The inbound prices charged by the USPS are based on China Post satisfying the following operational conditions:

Presorting its dispatches of EMS items to the United States as follows:

- any EMS item with a destination postal code beginning with 0 through 3 shall be routed to the USPS exchange office in JFK International Service Center;
- any EMS item with a destination postal code beginning with 4 through 6 shall be routed to the USPS exchange office in Chicago International Service Center;
- any EMS item with a destination postal code beginning with 7 shall be routed to the USPS exchange office in San Francisco International Service Center; and
- any EMS item with a destination postal code beginning with 8 and 9 shall be routed to the USPS exchange office in San Francisco or Los Angeles International Service Centers.

If possible, dispatching directly to Hawaii and Guam.

8. The parties to this Agreement also confirm their adherence to all other terms and conditions relating to the exchange of EMS items set forth in their previous agreements concerning the exchange of EMS items as well as to the service guarantees, targets and levels of achievement adopted by the members of the Kahala Post Group, which are expressly incorporated into this Agreement by reference.

Article 6: Monetary Transactions

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

Article 7: Entire Agreement

The Parties confirm their adherence to all other terms and conditions relating to the exchange of EMS items as set forth in any prior applicable instruments executed by the Parties or their respective governments. This Agreement shall constitute the entire Agreement between the Parties concerning the charges for EMS services described herein. Except as otherwise indicated in this agreement, any prior agreement, understanding, or representation of any kind preceding the date of this Agreement shall not be binding upon either Party as it relates to charges for EMS. In the event of any inconsistency between this Agreement and a commitment under any other instrument between the parties, then this Agreement shall prevail over any such inconsistent terms. This Agreement shall replace all previous commitments relating to EMS charges. Further, the Parties acknowledge that the provisions of the Universal Postal Union Acts apply except to the extent inconsistent with this Agreement.

Article 8: Amendment

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of China Post 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. The Amendment may be contingent upon any and all necessary approvals or non-objection by the USPS management's executive committee, the Governors of the USPS, and/or the U.S. Postal Regulatory Commission. If such approvals are required, the Amendment will not become effective until such time as all necessary approvals are obtained.

Article 9: Assignment

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

Article 10: Legal Status of the Agreement

This Agreement constitutes a legally binding agreement on the part of each signatory hereto and does not bind the Parties' respective governments. The Parties acknowledge that this Agreement sets out the terms and conditions of a negotiated commercial 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 11: Force Majeure

Neither party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including, without limitation, acts of God; fires; floods; wars; sabotage; accidents; labor disputes or shortages; governmental laws, ordinances, rules and regulations, whether valid or invalid; court or regulatory authority orders, whether valid or invalid; inability to obtain material, equipment, or transportation; and any other contingency.

Article 12: Termination

Either party may terminate without cause this Agreement upon 30 days advance written notice to the other party. The Agreement may also be terminated by either Party unilaterally and immediately upon notice to the other Party that one or both Parties is unable to continue the Agreement, which shall be determined in the reasonable discretion of such terminating Party. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each party shall bear its own costs in the event of termination. In the event of termination, the Parties shall revert to the EMS charges normally applied in light of the Parties' respective commitments to one another (e.g., as EMS Cooperative members, KPG members, or otherwise) and effective at the time of such termination. Neither Party shall be liable to the other for any damages including,

without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason.

Article 13: Applicability of Other Laws

1. The 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 and in this respect the provisions of Article 2 apply.
3. The Parties understand that USPS may be required to provide copies of this Agreement to the U.S. Department of State and the U.S. Postal Regulatory Commission. The entire Agreement, or portions thereof as the USPS determines to be appropriate, will be filed with the U.S. Postal Regulatory Commission with a notice to add it to the competitive and/or market dominant products list.

Article 14: Dispute Resolution

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.
2. If the method described in the above paragraph proves insufficient to resolve a controversy, Parties agree that the signatories to this agreement, or their successors, shall be given a description of the controversy by each Party and a suggested outcome. They will review the information provided and shall attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.
3. If the methods described in the above paragraphs 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, which shall perform mediation responsibilities in the English language. The mediator will be selected as mutually agreed by the Parties.
4. 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.
5. For controversies related to cost or revenue liability, China Post and the USPS will first refer the matter to mediation as discussed in the above paragraph. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia. The parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia and waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the parties.

Article 15: Construction

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

Article 16: Indemnification and Liability

1. In the event that an entity not party to this Agreement asserts claims against China Post or USPS 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. 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. Except for liability and indemnification as described in the above paragraph and final settlement under Article 12, no Party to this Agreement shall be liable to the other for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, including, but not limited to, breach of any term of this Agreement or negligence.
 3. Nothing in this Agreement shall be construed as an acknowledgment or concession regarding the validity of any claim or the entitlement of any Party to any amount of damages.

Article 17: Language

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

Article 18: Confidentiality Requirements

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. China Post 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 U.S. Postal Regulatory Commission.
2. China Post acknowledges that as part of securing approval of this Agreement and in other subsequent regulatory filings, the Agreement and supporting documentation will be filed with the U.S. Postal Regulatory Commission ("Commission") in a docketed proceeding. China Post authorizes the USPS to determine the scope of information that must be made publicly available in any Commission proceeding. China Post further understands that any unredacted portion of the Agreement or supporting information will be available on the Commission's public website, www.prc.gov. In addition, USPS may file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets. China Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. At the request of China Post, the USPS will notify China Post of the docket number of the Commission proceeding to establish the rates in this instrument under U.S. law, once that docket number has been assigned.

Article 19: Survival

The provisions of Articles 3, 4, 6, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22 shall survive the conclusion or termination of this Agreement.

Article 20: Severability

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

Article 21: Notices

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

To the USPS:

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

To China Post:

ZHAO Yugang
Deputy Managing Director
Department of International Cooperation
China Post Group
No. 13 West Avenue, Xuanwumen
Xicheng District
100808 Beijing
PEOPLES REPUBLIC OF CHINA
zhaoyugang@postmail.com.cn

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

China Post Group

LI Guohua
Vice President

2009.11.16

Date

United States Postal Service

Pranab SHAH
Managing Director, Global Business,
and Vice President

NOVEMBER 16, 2009

Date

**Certification of Prices for the China Post Group – United States Postal Service
Contractual Bilateral Agreement**

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the China Post Group – United States Postal Service Contractual Bilateral Agreement. I hereby certify that these prices are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2008, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The China Post Group – United States Postal Service Contractual Bilateral Agreement should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Joseph Moeller

Statement of Supporting Justification

I, Kang Zhang, General Manager, Business Development, Asia/Pacific, Global Business Development, sponsor the Request filed before the Postal Regulatory Commission in PRC Docket Nos. MC2010-13 and CP2010-12. The underlying product involves Inbound International Expedited Services 1, which consists of negotiated rates for inbound EMS. Governors' Decision No. 08-5 authorized Inbound Express Mail International (EMS) bilateral/multilateral agreements which fall within the terms specified in the Mail Classification Schedule (MCS) language approved by the Postal Service Governors in Governors' Decision No. 08-5, and whose prices fall within the price range established by the price floor and price ceiling formulas specified in Attachment B of Governors' Decision No. 08-5. My statement supports the Postal Service Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32 together with a description of the EMS business environment. I attest to the accuracy of the information contained herein.

(a) *Demonstrate why the change is in accordance with the policies and the applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below, the change complies with the applicable statutory provisions.

(b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).*

Not applicable. The Postal Service is proposing that a recently signed contractual bilateral agreement with China Post Group (CPG) be added to the competitive product list, as a product not of general applicability as Inbound International Expedited Services 1. As a result of PRC Order No. 84, a previous CPG Agreement was added as a product not of general applicability to the competitive product list as Inbound International Expedited Services 1 (CP2008-7).¹

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

Adding the Agreement to the competitive product list is consistent with the Commission's determination in Order No. 43 that EMS is a competitive product. The addition of this Agreement as a competitive product will enable the Commission to verify that each contract covers its attributable costs and enables competitive products, as a whole, to make a positive contribution to coverage of institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

When negotiating the Agreement, the Postal Service's bargaining position is constrained by the existence of other providers of similar services. As such, the market precludes the Postal Service from taking unilateral action to increase

¹ PRC Order No. 84, Order concerning the China Post Group Inbound EMS Agreement, Docket No. CP2008-7, June 27, 2008, at 8.

prices or decrease service. The Agreement concerns the terms of exchange between the Postal Service and CPG for Inbound EMS at negotiated prices, which has been classified as competitive by virtue of its exclusion from the letter monopoly and the level of competition in the relevant market. The Postal Service may not decrease quality or output without risking the loss of business to large competitors that offer similar international expedited delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs; rather, the Agreement is premised on prices that provide sufficient incentive for CPG and its customers to tender EMS volume to the Postal Service rather than a competitor. If the Postal Service were to raise this price, it risks losing People's Republic of China-origin volume to a private competitor in the international shipping industry.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696 subject to the exceptions set forth in 39 U.S.C. § 601.*

Even assuming EMS tendered under this Agreement might contain "letters" as defined in postal regulations, the EMS items at issue here fall outside the Private Express Statutes because all prices paid by CPG exceed six times the rate for the first ounce of a First-Class Mail letter. In addition, many Inbound EMS items would be expected to weigh more than 12.5 ounces.

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

See parts (c-d) above. Private consolidators, freight forwarders, and integrators also offer international shipping arrangements whereby they provide quick end-to-end delivery of matter that could also be sent and delivered via

EMS. Since delivery of EMS in the domestic service area of the United States requires a nationwide network, only large firms would be expected to participate in this market.

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

CPG, the counter-party to the Agreement, is a foreign postal administration that desires to tender EMS volume to the Postal Service under the terms and conditions it has negotiated with the Postal Service. This indicates that CPG, as well as its end users, find this type of product to be satisfactory, since CPG and its shipping customers are aware that competitive services are provided by private enterprises. However, no specific data are available to the Postal Service on CPG's or its shipping customers' views regarding the regulatory classification of this agreement.

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

The market for international delivery services comparable to EMS is highly competitive. Therefore, addition of the Agreement will likely have little, if any, negative impact upon small business concerns. By virtue of this agreement, the Postal Service is giving CPG's small business customers an additional option for shipping articles to the United States. Small businesses in the United States also benefit from the ability to receive shipments that they have ordered from businesses in the People's Republic of China. Thus, the net impact on small businesses is positive, because of the absence of negative impact on small

business competitors and the positive impact on small businesses served by
CPG and the Postal Service.

- (i) *Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

None.