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POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

March 3, 2010

Hon. Shoshana M. Grove, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Grove:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the quarterly Billing Determinants for Quarter 1 of Fiscal Year (FY) 2010 (39 C.F.R. § 3050.25(e)). This report consists of three parts:

1. Market Dominant Products Billing Determinants – FY 2010 Quarter 1 (This part is **Public**);
2. Competitive Products Billing Determinants – FY 2010 Quarter 1 (This part is **Non-Public**); and
3. International Products Billing Determinants – FY 2010 Quarter 1.
 - a. International Market Dominant Products Billing Determinants -- FY 2010 Quarter 1 (This subpart is **Public**); and
 - b. International Competitive Products and ICM Billing Determinants -- FY 2010 Quarter 1 (This subpart is **Non-Public**)

I have enclosed computer disks with machine-readable versions of each of these parts.

As noted above, part 1 of the Billing Determinants for Quarter 1 (Market Dominant Products Billing Determinants) is public and may be posted on the Commission's internet web site. Part 2 (Competitive Products Billing Determinants) is confidential and non-public and should not be posted on the Commission's internet web site. The Postal Service has determined that the entire contents of this competitive products document should be withheld from public disclosure and that redaction of only parts would not be meaningful or practicable. Subpart 3a (International Market Dominant Products Billing Determinants) is public and may be posted on the Commission's web site. Subpart 3b (International Competitive Products and ICM Billing Determinants), however, is confidential and non-public and should not be posted on the Commission's web site. The Postal Service has determined that the entire contents of subpart 3b (International Competitive Products and ICM Billing Determinants) should be withheld from public disclosure, and that redaction of only parts would not be meaningful or practicable. I have enclosed as Attachment 1 to this letter the Postal Service's "Application of the United States Postal Service for Non-Public Treatment of Materials." This application applies to all of the materials described above that the Postal Service has designated as non-public and for which it has requested confidentiality.

If you have any questions regarding this report or the discussion above, please call.

Sincerely,



Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product
Support

Enclosures

cc: Ms. Taylor

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 under seal with the Commission. The materials consist of the billing determinant reports for the first quarter of FY 2010, to the extent they concern competitive products. Public versions of these reports, which show both Domestic and International market dominant product information, are included with this filing as separate Excel files.

(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 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

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

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.

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 billing determinant reports, the Postal Service believes that the only third parties with a proprietary interest in the materials are the negotiated service agreement (NSA) customers whose mailing profile information is included in the reports. The Postal Service maintains that customer identifying information should be withheld from public disclosure. Therefore, rather than identifying the customers of negotiated service agreements, the Postal Service gives notice that it has already informed each customer in advance, in compliance with 39 C.F.R. § 3007.20(b), about the nature and scope of filings of Billing Determinants following each quarter of the fiscal year, and about the customers' ability to address their confidentiality concerns directly with the Commission. The Postal Service employees responsible for providing notice to the third parties with a proprietary interest in the materials filed in this docket are:

- 1) For Domestic Competitive NSAs: Elizabeth A Reed, Attorney, 475 L'Enfant Plaza, S.W., Washington, DC 20260-1137, whose email address is Elizabeth.A.Reed@USPS.gov, and whose telephone number is (202) 268-3179.
- 2) For International Competitive NSAs: Jacob D. Howley, Attorney, 475 L'Enfant Plaza, S.W., Washington, DC 20260-1137, whose email address is Jacob.D.Howley@USPS.gov, and whose telephone number is (202) 268-8917.

(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 this application, the Postal Service has filed the billing determinant reports for the first quarter of FY 2010. A version showing information for Domestic and International competitive products was filed under seal, with a version showing information for market dominant products filed publicly. The Postal Service maintains that the non-public portions of these materials should remain confidential.

The NSA tab in each Excel file filed under seal displays the names of postal patrons whose identifying information may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2). The remaining data on the same worksheets consist of revenue, volume, and weight information relevant to each customer's mailing profile, which is commercially sensitive. All other data in the non-public files consist of commercially sensitive information such as adjustment factor calculations (which are based on particular competitive product revenues), international insurance volume and revenue according to insured value level, and product volume and revenue according to pricing level and weight step.

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

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers it quite likely that it would suffer commercial harm. First, revealing customer identifying information would enable competitors to focus marketing efforts on current postal customers which have been cultivated through the efforts and resources of the Postal Service. The Postal Service considers that it is highly probable

that, if this information were made public, the Postal Service's competitors would take immediate advantage of it. Many NSAs include a provision allowing the mailer to terminate the contract without cause by providing at least 30 days' notice. Therefore, there is a substantial likelihood of losing the customers to a competitor that targets them with lower pricing.

Other information filed non-publicly consists of mailing profile information. This information, if disclosed, would offer competitors invaluable insight into the type of customers to whom the Postal Service is offering each type of competitive NSA. Even without identifying individual mailers, competitors would be able to direct their sales and marketing efforts at the customer segment that the Postal Service has had the most success at attracting. This would undermine both existing customer relationships and the potential for other new NSA customers.

A similar rationale applies to information showing published price product revenue and volume according to weight, pricing, and insured value levels, as well as adjustment factor calculations based on product revenues. This information 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 analyze the Postal Service's possible market strengths and weaknesses and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the material filed non-publicly.

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

Harm: Revealing customer identifying information would enable competitors to target the customers for sales and marketing purposes.

Hypothetical: The identity of one or more customers listed in these reports is revealed to the public. Another expedited delivery service has an employee monitoring the filing of periodic reports and passing along the information to its sales function. The competitor's sales representatives can then quickly contact the Postal Service's customer and offer the customer lower rates or other incentives to terminate its contract with the Postal Service in favor of using the competitor's services.

Harm: Competitors could use customer mailing profile, product volume, weight, and revenue distribution, and product insured-value distribution information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment.

Hypothetical: Customer mailing profile information in the billing determinant reports is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor assesses the typical size, mailing volume, and content characteristics of Postal Service NSA customers. The competitor then targets its advertising and sales efforts at actual or potential customers with similar profiles, hindering the Postal Service's ability to reach out effectively to these customers.

This hypothetical can apply even for more generic product-level data, from which one can calculate the distribution of the Postal Service's overall customer base in terms of item weight, revenue, or value (in the case of international insurance). For these reasons, release of any of the non-public information would pose actual commercial harm to the Postal Service, regardless of the information's present favorability.

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

The Postal Service maintains that the portions of the materials filed non-publicly and relating to competitive products should be withheld from persons involved in competitive decision-making in the relevant markets for competitive delivery products (including private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for these or similar products should not be provided access to the non-public materials.

(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, other than customer identifying information.

The Postal Service believes that customer identifying information should be protected permanently and asks the Commission to extend the duration of non-public status of that information indefinitely. As discussed above, disclosure of customer identifying information leaves the Postal Service vulnerable to competitive "cherry-picking." Customers may continue to renew their NSAs, but the implementation of a new 10-year period of non-public treatment with each renewed contract does not affect the expiration of non-public treatment of the same information under the original contract. For transparency purposes, the Postal Service routinely discloses which

agreements are with new or existing customers. In the case of existing customers, the Postal Service also identifies the Commission docket in which the prior agreement was reviewed. This will make it possible for competitors to determine the customers' identities and focus sales and marketing efforts on them when the initial 10-year period of non-public treatment expires. While this may seem inconsequential at the outset, in reality it has the same effect in ten years as it would for the information to be made public from the start. Therefore, the Postal Service seeks indefinite non-public treatment of each customer's name, address, and other identifying information in the non-public materials.

(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. The Postal Service further requests that the Commission order that the duration of such treatment of customer identifying information be extended indefinitely.

