

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

REVIEW OF NONPOSTAL SERVICES	Docket No. MC2008-1 (Phase II)
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DECLARATION OF SUNIR CHANDARIA

I, Sunir Chandaria, state as follows:

1. I am currently President of LePage's 2000, Inc. ("LePage's"). I have held this position for less than one year. Prior to this, I was charged with managing the strategic relationship with the US Postal Service and with overseeing the sales efforts of the LePage's team. I have knowledge of the facts in this declaration based upon my personal knowledge, am competent to testify to these facts, and will so testify if called and sworn as a witness.

2. LePage's is a family-owned business now managed by my generation. For over three decades, our business has been focused primarily on consumer product manufacturing, marketing, and distribution across North America. We have built a legacy and reputation of success through a long history of hard work and sacrifice that continues to this day. Everything our family has depends upon this reputation; if damaged or compromised, it could take us generations to recover.

3. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

4. We have developed and/or owned hundreds of proprietary patents and trademarks in our various businesses. Much of the intellectual property we continue to own today is utilized regularly by the LePage’s division for its assortment of tape, mailing, and shipping supplies.

5. In May of 2000, LePage’s purchased the assets of LePage’s, Inc. a 130-year old, nearly bankrupt entity. LePage’s is a U.S. Company with its warehouse distribution center located in Romulus, Michigan. LePage’s is also a minority business enterprise certified by the National Minority Supplier Development Council.

6. [REDACTED]

7. Back in early 2000’s, LePage’s was approached by the current USPS “Ready Post” contractor – Hallmark – to become the tape supplier for the Ready Post Program. Ready Post is supplied by Hallmark under an exclusive procurement contract with the USPS. Hallmark has been the sole supplier for the Ready Post brand products for nearly a decade.

8. LePage's declined the opportunity with Hallmark [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The License Agreement and Contract Negotiations with USPS

9. After preparing this opportunity for presentation, LePage's approached the USPS and met with Margot Myers in 2002. LePage's was later introduced to Pamela York of the Licensing Department. She shared that the USPS was looking for [REDACTED]

[REDACTED]

[REDACTED]

The Postal Service had, thus far, been unable to secure a partnership with a company prepared to and capable of assisting it in properly fulfilling its objectives.

10. After meeting, both parties saw mutually beneficial opportunities. Specifically, the Postal Service determined that LePage's was the best fit to partner with in order to fully support the development and introduction of [REDACTED]

[REDACTED]. A key differentiator of LePage's vis-à-vis others in the industry is [REDACTED]

[REDACTED].

11. LePage's product innovations were formally presented before the USPS Senior Management team; then, the Board of Governors in December 2003. I understand that the Board

was intrigued by LePage's capacity to innovative and had no objection to the prospects of collaboration with LePage's. LePage's was, in fact, recognized before the USPS Board of Governors for the quality of the innovations in its products.

12. On December 11, 2003, USPS and LePage's entered into a Letter of Intent ("LOI"). (See December 11, 2003, Letter of Intent attached as Exhibit A). The LOI provided LePage's with [REDACTED]

13. After receiving the LOI in December of 2003, LePage's continued development of [REDACTED]

14. After receiving the LOI, [REDACTED] (See January 14, 2005 License Agreement attached as Exhibit B).

15. LePage's and the USPS' Licensing Department developed a licensing relationship in which [REDACTED]

16. In light of the potential to market the USPS-branded products at private enterprise retail and in reliance upon the terms of the Licensing Agreement, LePage's made significant

investment in the future of the relationship and recognized the considerable costs it would incur in developing and marketing USPS-branded products.

17. [REDACTED]

18. From early in its relationship with the USPS, LePage's has continued to work to improve its user-friendly designs for greater quality, security, safety, and mail processing efficiency. The bulk of the LePage's USPS-branded products offer superior quality that complements the current market offerings and creates the opportunity for consumers to have access to USPS-approved quality and secure products under the recognizable USPS-brand. For example, [REDACTED]

Pursuant to License Agreement, USPS Controls the USPS-branding and Trademarks

19. As part of the License Agreement, the USPS controls the language of the branding. For example, in 2005, LePage's branding stated "United States Postal Service®, the Eagle Logo, USPS formatives and The Shipping Standard™ are among the many trademarks and logos belonging to the United States Postal Service and are used by LePage's with permission. All rights reserved." (LePage's created The Shipping Standard™).

20. In 2007, the USPS directed and required that LePage's change the branding to take out the reference to LePage's and specified that the label read "© 2007 United States Postal

Service. United States Postal Service and Eagle Design are trademarks of the U.S. Postal Service. All rights reserved.”

21. Later, in 2009, the USPS again directed and required LePage’s to change the label. The label now reads “© 2009 United States Postal Service. All Rights Reserved. United States Postal Service and Eagle design are some of the many trademarks belonging to the U.S. Postal Service.”

22. LePage’s produces, markets, and distributes a number of different brands and types of mailing and packaging tapes, shipping cartons, bubble mailers, and envelopes. For example, among LePage’s unique USPS-branded packaging tape rolls and dispensers are the following:

[REDACTED]

23. [REDACTED]

24. LePage's also offers different types of shipping cartons. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

25. LePage's narrowed the number of SKUs in its cushioned mailer assortment from the industry availability of 11 sizes to allow for the USPS to derive mail processing efficiencies through its postal machines. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. LePage's has another paper bubble mailers that is offered in only 7 sizes.

[REDACTED]

[REDACTED]

26. LePage's also markets specialty envelopes in varying strengths. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

27. [REDACTED]

[REDACTED]. LePage's also manufactures, markets, and distributes stationery and hardware tapes, sticky notes, and mailing and shipping products under Seal-it, LePage's and private label brands.

28. LePage's further developed [REDACTED]

29. A significant proportion of the LePage's USPS-branded products offer a superior quality to complement the incumbent market offering and create the opportunity for consumers to have access to USPS-approved quality and secure products under the USPS brand.

30. LePage's evaluates additional product improvements on an ongoing basis and is in the process of developing further improvements.

31. [REDACTED]

[REDACTED].

32. Notwithstanding the small market share, because necessity is the proverbial mother of invention, the presence of LePage's products in the market has induced competitors to produce better quality products that come closer to meeting the USPS standards for safety and efficiency. [REDACTED]

[REDACTED]

33. LePage's mission has been [REDACTED]

[REDACTED]

34. As it stands, over 40% of the global mail is handled by the USPS and offering improved mailing and shipping products is the primary avenue for the USPS to influence mailing and shipping standards abroad. [REDACTED]

[REDACTED]

USPS' Strategic Plans Focus on Alternative Access

35. In April of 2002, the USPS launched a strategic plan to enable the USPS to continue providing affordable universal postal services while addressing its decreasing revenue. (See 2002 Transformation Plan excerpt attached as Exhibit **C**).

36. In furtherance of its strategic planning objectives, the USPS published a Strategic Transformation Plan for 2006-2010 (“2005 Transformation Plan”) in September 2005. An important aspect of this Transformation Plan was to improve customer service across all access points (2005 Transformation Plan excerpt attached as Exhibit **D**). The USPS also wanted to build customer awareness of its new quick and easy ways to obtain access to postal services without visiting a postal branch. (*Id.* at p. 61). As evidenced by the January 26, 2009 audit report drafted by the Deputy Assistant Inspector General for Support Operations, there is a benefit for deploying or leasing APCs to more convenient nonpostal service locations. (See January 26, 2009 Audit Report attached as Exhibit **E**).

37. On March 3, 2010, the USPS released a new action plan for the next 10 years. The new plan was developed to adapt to America’s changing mailing habits and preferences in order to reduce the projected budget gaps in the USPS’ operations. (“Ensuring a Viable Postal Service for America” (“New Action Plan”) and “Expanded Access Fact Sheet” attached collectively as Exhibit **F**). The ambitious plan focuses on increasing mail volume and decreasing operating expenditures while calling on the Postal Service to become a flexible, agile agency able to respond to change. As part of this New Action Plan, the USPS cited, among other objectives, the need to modernize and expand the access to postal products and services through partnerships with other retail outlets where customers are likely to use USPS products and services – alternative access. After all, recent surveys (including a May 14, 2010 *USA Today*

Survey) capture consumer frustration with the long lines at the Post Office, an impetus to explore alternate solutions for their needs.

LePage's Self-Serve Shipping Pilot Program at select Target and Duane Reade stores

38. [REDACTED]
[REDACTED]
[REDACTED].

39. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

40. At various times during the period of 2004 through 2008, [REDACTED] [REDACTED] tried to establish a sustainable in-store guest shipping solution. In its efforts, [REDACTED] sought to collaborate with USPS and its competitors, UPS and FedEx, to no avail. For example, FedEx, UPS and other competitors for mail and package traffic are present at many retail locations, [REDACTED].

41. In 2009, [REDACTED] met with LePage's to discuss this integrated solution. LePage's and others proposed a pilot program that would permit the USPS to compete for mailing and shipping

42. [REDACTED]
[REDACTED]

[REDACTED]

43. The initial results show [REDACTED]

[REDACTED]

44. Specifically, [REDACTED]

[REDACTED]

45. Thus far, [REDACTED]

[REDACTED]

46. Customer surveys from [REDACTED] show that consumers are embracing the concept. Some note that they prefer using the retail-based self-serve shipping station rather than visiting the local post office, aligning with the results of the May 14, 2010

USA Today survey that found that going to the post office is one of the tasks the public least likes.

47. In addition, [REDACTED]
[REDACTED]
[REDACTED].

48. Based on the success of the pilot program, it is in LePage's business plan for a
[REDACTED]
[REDACTED]
[REDACTED].

LePage's Will Suffer Undue Hardship Due to Premature Termination of License Agreement

49. LePage's has expended substantial resources in its performance under the License Agreement, including capital spent on product development, testing, and quality control. These responsibilities are, in many cases, unique to LePage's among the US Postal Service Licensees and in addition to manufacturing, sales, and logistical programs that are ordinary in producing mailing and shipping products.

50. Specifically, LePage's has spent [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

51. In addition, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

52. [REDACTED]
[REDACTED].

53. In total, [REDACTED]
[REDACTED].

54. The specific loss of enterprise value may be difficult to quantify six months prior to the December 31, 2010 termination date. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] This number represents the lost value to LePage's overall business due the premature termination of the License Agreement. All together, [REDACTED]
[REDACTED].

55. LePage's also has spent considerable time and energy in developing relationships with various retail outlets, suppliers, postage meter manufacturers, and others in its effort to market and sell USPS-branded products. The LePage's team has built strong relationships with leading retailers, including [REDACTED]
[REDACTED]
[REDACTED].

56. In order to produce the USPS-branded products, LePage's uses numerous U.S. suppliers to produce various products. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

57. LePage's current relationships with various retailers [REDACTED]

[REDACTED]

[REDACTED] Prior to the PRC's decision in January of 2010, LePage's had made commitments to supply retailers across the market with the USPS-branded program of merchandise for multiple years. Premature termination of such a commitment poses significant risk to LePage's relationship with these retailers. Further, not only does this affect its USPS-branded mailing and shipping business but also [REDACTED]

[REDACTED]

58. The family-owned businesses affiliated with LePage's have served retailers in various consumer product categories for over 30 years. Those years of relationships and customer goodwill and trust will be severely compromised by the premature license termination.

Pursuant to 28 U.S.C. § 1746(b), I declare under penalty of perjury of the laws of the United States of America that the foregoing is true and correct. Executed on June 30, 2010.



SUNIR CHANDARIA
President
LePage's 2000, Inc.

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