

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

COMPETITIVE PRODUCT PRICES
GLOBAL EXPEDITED PACKAGE SERVICES 3
NEGOTIATED SERVICES AGREEMENT

Docket Nos.
MC2010-28
CP2010-71

**NOTICE AND REQUEST OF THE UNITED STATES POSTAL SERVICE TO ADD
GLOBAL EXPEDITED PACKAGE SERVICES 3 TO THE COMPETITIVE PRODUCTS
LIST AND NOTICE OF FILING OF FUNCTIONALLY EQUIVALENT NEGOTIATED
SERVICE AGREEMENT AND APPLICATION FOR NON-PUBLIC TREATMENT OF
MATERIALS FILED UNDER SEAL**

(July 14, 2010)

In accordance with 39 C.F.R. § 3015.5 and Order No. 86,¹ the United States Postal Service (Postal Service) hereby gives notice that the Postal Service has entered into an additional Global Expedited Package Services (GEPS) contract. Prices and classifications not of general applicability for GEPS contracts were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Expedited Package Services Contracts, issued May 6, 2008 (Governors' Decision No. 08-7).² Subsequently, GEPS 2 was added to the competitive product list, and the contract filed in PRC Docket No. CP2009-50 served as the baseline agreement for subsequently filed functionally equivalent agreements under the GEPS 2 grouping. The Postal Regulatory Commission (Commission) determined that individual GEPS contracts may be included

¹ PRC Order No. 86, Order Concerning Global Expedited Package Services Contracts, Docket No. CP2008-5, July 23, 2008.

² A redacted copy of the Governors' Decision was filed on July 23, 2008. See United States Postal Service Notice of Filing Redacted Copy of Governors' Decision No. 08-7, Docket No. CP2008-5, July 23, 2008. An unredacted copy of this Governors' Decision was filed earlier under seal. Notice of United States Postal Service of Governors' Decision Establishing Prices and Classifications for Global Expedited Package Services Contracts, Docket No. CP2008-4, May 20, 2008.

as part of the GEPS product if they meet the requirements of 39 U.S.C. § 3633 and if they are functionally equivalent to the previously submitted GEPS contracts.³ With this request, as advised by the Commission in Order 290, the Postal Service seeks to add the GEPS 3 product grouping to the competitive products list with a new baseline agreement filed herein.⁴ The contract and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. Redacted copies of the materials supporting this request include:

- Attachment 1 Statement of Supporting Justification of Frank Cebello⁵
- Attachment 2 Baseline GEPS 3 Negotiated Service Agreement
- Attachment 3 Certified statement required by 39 C.F.R. § 3015.5(c)(2)
- Attachment 4 Governors' Decision 08-7
- Attachment 5 Application for non-public treatment of materials filed under seal

I. Background

The first GEPS contract was filed on May 20, 2008.⁶ Subsequently, the Commission reviewed many additional GEPS contracts with minor differences not

³ PRC Order No. 86, at 7.

⁴ PRC Order No. 290, Order Granting Clarification and Adding Global Expedited Package Services 2 to the Competitive Product List, Docket No. CP2009-50, August 28, 2009. In Order No. 290, the Commission identified requirements for the establishment of new baseline instruments. In particular, the Commission advised that "[f]uture requests to implement a new baseline agreement should be filed as an MC docket since it will result in adding a new product to the product list and may result in removing a product from the product list." *Id.* at 3. The Postal Service is not undertaking to remove GEPS 2 from the product list at this time, because the arrangements for GEPS 2 described in Docket No. CP2009-50, which are functionally equivalent to the GEPS 1 product, are ongoing.

⁵ United States Postal Service Response to Order No. 78 and Notice of Filing Information Responsive to Part 3020 of the Commission's Rules of Practice and Procedure, Docket No. CP2008-5, June 10, 2008, at Attachment A. This document is available at <http://prc.gov/Docs/60/60118/CP08-5Order78resp.pdf>.

⁶ Notice of United States Postal Service of Filing a Global Expedited Package Services Contract, Docket No. CP2008-5, May 20, 2008.

affecting the similarity of the cost and market characteristics. This filing is on behalf of the same customer as in Docket No. CP2009-50. The contract reviewed in that docket will come to the end of its one-year term on July 31, 2010.⁷ The Postal Service demonstrates below that this agreement is functionally equivalent to the previously submitted GEPS agreements. The Postal Service respectfully requests that the instant contract be considered the new “baseline” contract for future functional equivalency analyses concerning the GEPS product.⁸

II. Identification of the Additional GEPS Contract

The Postal Service believes that this additional GEPS contract fits within the Mail Classification Schedule (MCS) language included as Attachment A to Governors’ Decision No. 08-7, but understands that the Commission considers this language illustrative until the MCS is completed.⁹ This agreement is set to expire one year after the Postal Service notifies the customer that all necessary approvals and reviews of the agreement have been obtained, culminating with a favorable conclusion on review by the Commission. Because the term of the current contract ends on July 31, the anticipated implementation date of this contract is August 1, 2010.

III. Functional Equivalency of GEPS Contract

The GEPS contract currently under consideration is functionally equivalent to the GEPS 2 contracts filed previously in that it shares similar cost and market characteristics. In Governors’ Decision No. 08-7, the Governors established a pricing

⁷ United States Postal Service Response to Order No. 262 concerning Termination Date of Additional Global Expedited Package Services 1 Negotiated Service Agreement and Request for Clarification, Docket No. CP2009-50, July 30, 2009.

⁸ See PRC Order No. 85, Order concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9, and CP2008-10, June 27, 2008, at 8 (applying standards for the filing of functionally equivalent contracts).

⁹ PRC Order No. 86, at 6.

formula and classification that ensure each GEPS contract meets the criteria of 39 U.S.C. § 3633 and the regulations promulgated thereunder. Therefore, the costs of each contract conform to a common description. In addition, the GEPS language proposed for the MCS requires that each GEPS contract must cover its attributable costs. The contract at issue here meets the Governors' criteria and thus exhibits similar cost and market characteristics to the previous GEPS contracts.

The functional terms of the current contract and the one used as the baseline for GEPS 2 are also the same, although other terms not directly changing the nature of the agreements basic obligations vary. The benefits of the two contracts to the Postal Service are comparable as well. Therefore, the Postal Service submits that the new contract is functionally equivalent to GEPS 2 contracts and should be added to the competitive product list as GEPS 3 to replace GEPS 2 as those agreements expire.¹⁰

In a concrete sense as well, this GEPS contract shares the same cost and market characteristics as the previous GEPS contracts. First, the customers for GEPS contracts are small- or medium-sized businesses that mail products directly to foreign destinations using Express Mail International, Priority Mail International, or both. In fact, this is a business that currently mails under a PRC-reviewed GEPS agreement. Prices offered under the contracts may differ depending on the volume or postage

¹⁰ In Order No. 227, the Commission concluded, that the identified differences between the agreement presented in Docket No. CP2009-35 and the baseline agreement presented in Docket No. CP2008-5 did "not appear to be substantial." PRC Order No. 227, Order Concerning Additional Global Expedited Package Services 1 Negotiated Service Agreement, June 22, 2009, at 7. In Order No. 290, the Commission stated that the "Commission's expectation in labeling the initial GEPS contract (in Docket No. CP2008-5) as GEPS 1 was that it would be followed sequentially by additional GEPS contracts, .e.g., GEPS 2, GEPS 3, etc., that exhibited sufficient variation from the initial contract to warrant being classified as a new product. Given that the initial GEPS 1 contract is expiring and that the instant contract contains additional provisions, the Commission will label the latter as GEPS 2." PRC Order No. 290, Order Granting Clarification and Adding Global Expedited Package Services 2 to the Competitive Product List, August 28, 2009, at 3.

commitments made by the customers. Prices also may differ depending upon when the agreement is signed, due to the incorporation of updated costing information. These differences, however, do not alter the contracts' functional equivalency. Because the agreements incorporate the same cost attributes and methodology, the relevant characteristics are similar, if not the same, for this GEPS contract and the previously filed contracts.

Like the contract that is the subject of Docket No. CP2009-50 ("baseline agreement"), this contract also fits within the parameters outlined by the Governors' Decision establishing the rates for GEPS agreements. There are, however, differences in general terms between this contract and the CP2009-50 GEPS baseline agreement. These differences are outlined in the following paragraphs:

- Article 2 Choice of Payment Method has been added, to allow the Mailer to make a selection between two postage payment methods, through a PC Postage Provider (Option A) or through a Permit Imprint (Option B). Previous GEPS contracts filed with the Commission either included just the Permit Imprint payment method or the PC Postage Provider payment method. As a result, provisions relevant to each form of postage payment are incorporated into the GEPS contract under consideration. Such provisions include Article 6 concerning Specific Preparation Requirements under Option B, Article 9 concerning Additional Obligations of the Mailer under Option A, Article 10 concerning Additional Obligations of the Mailer under Option B, as well as Article 33 concerning Penalty for the Improper

Tender of Mail and Article 34 concerning Fraud, which apply under Option A.

- The consequences of the Mailer not meeting its minimum commitment as set forth in Article 11, paragraphs 2 and 3, have been changed, and mention of liquidated damages has been deleted.
- Confidentiality provisions. Three new provisions were added to the basic GEPS contract template to integrate elements of the Commission's rules on non-public treatment of confidential information as announced in PRC Order No. 225.¹¹ These are found at Article 7, paragraph 5; Article 8, paragraph 4; and Article 20.
- Pickup service. An obligation of the USPS to provide pickup service for Qualifying Mail according to an applicable local agreement, if any, was added, at Article 7, paragraph 4. Such local agreements are standard and common, enabling local postal managers to make the most efficient use of their resources and to adapt to changes in customers' and Postal Service needs within the well-established boundaries of their authority. While many GEPS customers tender mail in accordance with such agreements, such agreements were not previously referred to in the terms and conditions of the GEPS contracts. The addition of paragraph 6 to Article 17 of the Agreement maintains the *status quo* of the local parties to pickup service agreements insofar as modifications to those agreements are concerned.

¹¹ PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

- Reference updates. Language has been added to Article 29 to clarify that references within the agreement to International Mail Manual (IMM) or Domestic Mail Manual (DMM) provisions are intended to relate to the substance of those provisions, not to the specific numbered provision, in the event that the numbering should change while the agreement is in effect. Also, in the last sentence of Article 22, paragraph 2, “IMM 221.3” has been changed to “IMM 222.71.”

Minor changes

- In Article 3, paragraphs 1 and 2, the top level domain of the website was changed.
- In Article 4(1), the definition of “Qualifying Mail,” excludes Express Mail International Flat-Rate Envelope, Priority Mail International Flat-Rate Envelope, the Priority Mail International Small Flat-Rate Box, the Priority Mail International Regular/Medium Flat-Rate Box, and the Priority Mail International Large Flat-Rate Box. These exclusions were listed in Article 1 of the GEPS contract in Docket No. CP2009-50.
- Article 5’s title has been changed to “Treatment of Non-Qualifying Mail.” The titles of Annex 1 have been simplified.
- In Article 5, the option of the USPS accepting Non-Qualifying Mail and imposing a penalty upon the Mailer has been added.
- In Article 13(2), “shall be calculated” has been changed to “shall be enforceable and shall be calculated.”
- The title of Article 18 has been changed to “Entire Agreement and

Survival.” In addition, the article has been changed so that it states that the Agreement, including all Annexes and any corresponding written local pickup agreement, shall constitute the entire agreement between the Parties. Also, a final sentence has been added, which provides for the expiration of the confidentiality terms.

- In Article 22, Limitation of Liability; Insurance, paragraphs 2, 3 and 4 “rifling” has been replaced by “missing contents.”

The Postal Service does not consider that the specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract. Nothing detracts from the conclusion that the agreement is “functionally equivalent in all pertinent respects” to the CP2009-50 agreement with the same customer.¹²

Conclusion

For the reasons discussed and as demonstrated by the financial data filed under seal, the Postal Service has established that this new GEPS 3 contract is in compliance with the requirements of 39 U.S.C. § 3633 and is functionally equivalent to other GEPS contracts. Accordingly, this contract should be listed as GEPS 3 product and should be considered the baseline agreement for determining functional equivalence for additional agreements.

Respectfully submitted,

¹² PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket No. CP2008-8, June 27, 2008, at 8.

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel, Global Business

Christopher Meyerson
Attorney

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-3816; Fax -5628
July 14, 2010

Statement of Supporting Justification

I, Frank Cebello, Executive Director, Global Business Management, am sponsoring this request that the Commission add the shell classification for Global Expedited Package Services (GEPS) contracts, filed as Docket No. CP2008-4, or the GEPS Contract filed as Docket No. CP2008-5 to the competitive products list for prices not of general applicability. This statement supports the Postal Service's request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of the Act.*

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 the shell classification for GEPS Contracts be added to the competitive products list or, alternatively, that the GEPS Contract filed as CP2008-5 and offered in accordance with that shell classification be added to the competitive products list.

- (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 shell classification for GEPS Contracts to the competitive product list will improve the Postal Service's competitive posture, while enabling the Commission to verify that each contract covers its attributable costs and makes a positive contribution to coverage of institutional costs. In turn, each successive contract under the shell classification will increase contribution toward the requisite 5.5 percent of the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products arises. The alternative proposal – that the GEPS contract be approved itself as a competitive product – would also improve the Postal Service's competitive posture, but to a lesser degree.

- (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 GEPS Contracts, the Postal Service's bargaining position is constrained by the existence of other shippers who can provide services similar to the Postal Service's. As such, the market precludes the Postal Service from taking unilateral action to increase prices or decrease service. GEPS Contracts concern volume-based incentives for the tendering of large volumes of Express Mail International (EMI) and/or Priority Mail International (PMI), both of which have been classified as competitive by virtue of their exclusion from the letter monopoly and the significant level of competition in their respective markets. As with EMI and PMI in general, the Postal Service

may not decrease quality or output without risking the loss of business to large competitors that offer international express and package delivery services. The relevant market also does not allow the Postal Service to raise prices or offer prices substantially above costs: rather, the contracts are premised on the offering of prices at a level that provides sufficient incentive for customers to ship specified volumes with the Postal Service rather than a competitor. If the Postal Service were to raise these prices, it risks losing these customers 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.*

Because the underlying products, EMI and PMI, fall outside of the prohibition on private carriage of letters over post routes by virtue of the exceptions to the Private Express Statutes, neither are the GEPS Contracts subject to that prohibition. See part (d) above.

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

See part (d) above. Private consolidators and freight forwarders also may offer international shipping arrangements whereby they provide express and package delivery services under similar conditions.

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

The customer for this GEPS Contract is a business that plans to ship articles via EMI and PMI under the terms and conditions of the contract. This

customer has previously entered GEPS Contracts with the Postal Service pursuant to the latter's former authority, and it finds the arrangement sufficiently attractive to merit renewal. The Postal Service has concluded similar arrangements with numerous other businesses of comparable size, which indicates that the relevant segment of postal customers in general finds this type of product to be advantageous as against similar products offered by the Postal Service's competitors. Customers are aware that competitive services are provided by such private enterprises. However, no specific data are available to the Postal Service on GEPS Contract customer views regarding the regulatory classification of these GEPS Contracts as market dominant or competitive.

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

The market for international express and package delivery services comparable to Express Mail International and Priority Mail International is highly competitive. Therefore, a shell classification for GEPS Contracts will likely have little, if any, impact upon small business concerns. Large shipping companies serve this market, particularly with respect to the volume customers represented by this and other GEPS Contracts; the Postal Service is unaware of any small business concerns that could offer comparable service for these volumes. By offering the prices in these GEPS Contracts, the Postal Service is giving the small business customers for these products an additional option for shipping articles internationally, as against the services offered by private industry competitors. 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 the small businesses with which the Postal Service has entered and will enter into these contracts.

- (i) *Include such other information, 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.*

The customer eligibility criteria for GEPS Contracts concluded under the Postal Service's previous authority included lower capacity thresholds, along the lines of the Postal Service's initially proposed Mail Classification Schedule language. The Postal Service recently published EMI and PMI price incentives for smaller customers that might have met the previous GEPS capacity thresholds. Because smaller customers are able to access these published prices without the need for a contractual vehicle, the prices provided in GEPS Contracts will be available only to customers capable of tendering a larger volume of qualifying items to the Postal Service. Therefore, the Postal Service proposes to modify the eligibility criteria for the GEPS Contract product classification to increase the capacity thresholds.

**GLOBAL CUSTOMIZED MAIL AGREEMENT BETWEEN
THE UNITED STATES POSTAL SERVICE AND**

This Agreement ("Agreement") is between [REDACTED] ("Mailer"), with offices at [REDACTED] and the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the United States Government, with offices at 475 L'Enfant Plaza SW, Washington, DC 20260-9998. The Mailer and the USPS may be referred to individually as a "Party" and together as the "Parties."

INTRODUCTION

WHEREAS, the Parties desire to enter into a non-exclusive relationship whereby the USPS will provide certain products and/or services to the Mailer pursuant to the terms and conditions contained herein;

WHEREAS, the Parties acknowledge and understand that the commencement of performance under this Agreement is subject to the approval of various entities with oversight responsibilities, which may include but not be limited to the USPS management's executive committee, the USPS Governors, and/or the Postal Regulatory Commission. Accordingly, the Mailer acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth below, the Parties hereby agree as follows:

ARTICLE 1. PURPOSE OF THE AGREEMENT

This Agreement shall govern the use the Mailer may make of customized mail service for Express Mail International and Priority Mail International.

ARTICLE 2. CHOICE OF PAYMENT METHOD

By initialing one of the following two options, the Mailer hereby selects a postage payment method. This Agreement is not valid unless either Option A or B is chosen.

Option A Postage Payment through a PC Postage Provider

The Mailer shall pay postage to the USPS through the intermediary of a USPS-approved PC Postage Provider that the USPS has authorized to offer services to contract rate customers. The Mailer agrees to use only one USPS-approved PC Postage Provider at a time. The Mailer retains the right to change from one PC Postage Provider to another provided that the new PC Postage Provider has been authorized by the USPS to offer services to contract rate customers.

Option B Postage Payment through a Permit Imprint

The Mailer shall pay postage to the USPS through the use of a permit imprint subject to the conditions stated in IMM 152.4 and DMM 604.5, with the exception that DMM 604.5.1.1 shall not apply.

ARTICLE 3. DEFINITIONS

As used in this Agreement:

1. "IMM" means the *International Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
2. "DMM" means the *Domestic Mail Manual* as found on the USPS website pe.usps.com on the date of mailing.
3. "Effective Date" means the first date on which the USPS is willing to accept Qualifying Mail.
4. "PC Postage Provider" means a provider of software-based management of postage accounts, authorized by the USPS to offer services to contract rate customers.
5. "Qualifying Mail" means mail that meets the requirements set forth in Article 4 of this Agreement.
6. "Non-Qualifying Mail" means mail that does not meet the requirements set forth in Article 4 of this Agreement. Express Mail International and Priority Mail International tendered to the USPS at a Business Mail Entry Unit, at a USPS retail window, or at any commercial mail receiving agency are Non-Qualifying Mail under Option A above.

ARTICLE 4. QUALIFYING MAIL

1. Only mail that meets the requirements set forth in IMM 220 for Express Mail International, with the exception of the Express Mail International Flat-Rate Envelope, and in IMM 230 for Priority Mail International, with the exception of the Priority Mail International Flat-Rate Envelope, the Priority Mail International Small Flat-Rate Box, the Priority Mail International Regular/Medium Flat-Rate Box, and the Priority Mail International Large Flat-Rate Box, shall be considered as Qualifying Mail.
2. Under Option B above, Qualifying Mail includes mail that meets all the requirements set forth in paragraph 1 of this Article, except as those requirements conflict with the applicable specific preparation requirements set forth in Article 6.

ARTICLE 5. TREATMENT OF NON-QUALIFYING MAIL

1. Under Option A and under Option B above, the USPS, at its option and without forfeiting any of its rights under this Agreement, may refuse to accept Non-Qualifying Mail or may accept Non-Qualifying Mail at the applicable published prices.
2. Under Option A above, the USPS may accept Non-Qualifying Mail at the applicable published prices and impose a penalty upon the Mailer.

ARTICLE 6. SPECIFIC PREPARATION REQUIREMENTS UNDER OPTION B

Under Option B above:

1. Mailings of Qualifying Mail must be kept separate from any other type of mail the Mailer tenders.
2. International mailings must be separated from domestic mailings.

3. Mailings processed using Global Shipping Software (GSS), or a USPS-approved functionally equivalent software, must:
 - a. Be accompanied by a postage manifest;
 - b. Be paid for through the use of a Permit Imprint.

ARTICLE 7. OBLIGATIONS OF THE USPS

The USPS hereby agrees:

1. Transportation To arrange with carriers to transport Qualifying Mail to international destinations where the proper authority will effect delivery.
2. Undeliverable Items To return:
 - a. Express Mail International items refused by an addressee or that are undeliverable, to the Mailer via Express Mail a [REDACTED]
 - b. Priority Mail International items refused by an addressee or that are undeliverable, to the Mailer according to the provisions of IMM 771.
3. Postage To provide prices for Qualifying Mail paid for and tendered as required by this Agreement.
4. Pickup To provide pickup service for Qualifying Mail according to the applicable local agreement, if any, as amended from time to time.
5. Confidentiality To seek non-public treatment of information it determines to be eligible for protection from public disclosure under applicable law and practice when it files the Agreement with the Postal Regulatory Commission, or when it files information (including data) in connection with the Agreement in accordance with other regulatory requirements.
6. Penalties for Non-Qualifying Mail under Option A To provide the Mailer with an invoice for any penalties imposed as a result of the improper tender of mail if the Mailer has chosen Option A above.
7. Technical Assistance under Option B To provide the Mailer with technical assistance necessary to prepare information linkages, electronic data files, and data exchanges as required for the proper functioning of USPS-provided Global Shipping Software (GSS) if the Mailer has elected to use the USPS provided Global Shipping Software (GSS) in lieu of a USPS-approved functionally equivalent software, under Option B above.

ARTICLE 8. OBLIGATIONS OF THE MAILER – GENERAL

The Mailer hereby agrees:

1. Postage To pay postage for Qualifying Mail according to the price charts in Annex 1. The prices listed in Annex 1 are contingent upon any and all necessary approvals for corresponding USPS prices by the USPS Governors, the USPS Board of Governors, and/or the Postal Regulatory Commission as provided in Article 27.
2. Customs and Export Documentation To provide any necessary documentation, including data provided in electronic format, in connection with each mailing, in the form and at the time specified by the USPS, Customs & Border Protection,

Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other authority. The Mailer further understands that the failure to provide any such required documentation may result in refusal at acceptance, delay in processing, involuntary seizure by customs authorities, and/or return of mail to the sender.

3. Customs and Export Requirements To comply with any regulation or order promulgated by the USPS, Customs & Border Protection, Transportation Security Administration, the U.S. Census Bureau, a destination country foreign government, or other governmental unit with jurisdiction over mail, to facilitate the Customs processing of its mail, according to any requirements specified by those authorities.
4. Confidentiality To treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the Postal Regulatory Commission.

ARTICLE 9. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION A

The Mailer, having chosen Option A above, hereby agrees:

1. Advance Notification To provide the Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov:
 - a. With notification of the PC Postage Provider the Mailer intends to use at least three weeks in advance of the first use of the PC Postage Provider in connection with this Agreement;
 - b. With notification of the Mailer's intent to change PC Postage Providers and the name of the new PC Postage Provider the Mailer intends to use at least forty-five (45) days in advance of the anticipated change from one PC Postage Provider to another.
2. Tender To present the mailings to the USPS in drop shipments to the following address:

JT WEEKER INTERNATIONAL SERVICE CENTER
US POSTAL SERVICE
O'HARE INTERNATIONAL AIRPORT
514 EXPRESS CENTER DRIVE
CHICAGO IL 60688-9998
3. Software To apply address labels and Customs declarations to Qualifying Mail using the software provided by the USPS-approved PC Postage Provider which the Mailer has identified as its chosen postage payment intermediary.
4. Postage Due To pay any postage due to the USPS as a result of discrepancies between the actual PC postage applied to the mailings and the postage required under this Agreement.
5. Penalty for the Improper Tender of Mail To pay:
 - a. Any penalty the USPS may assess under the terms of Article 33 for the improper tender of mail provided that the USPS has provided the Mailer with notice of the number of pieces of Non-qualifying Mail and an invoice for the total dollar amount of the penalty due;

- b. The amount of the assessed penalties within thirty (30) days of the date of the invoice. All invoices that are not paid within thirty (30) days will incur [REDACTED]. Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition [REDACTED] the USPS reserves the right to pursue other available remedies.

ARTICLE 10. ADDITIONAL OBLIGATIONS OF THE MAILER UNDER OPTION B

The Mailer, having chosen Option B above, hereby agrees:

1. Advance Notification To provide:
 - a. The Manager, Customized Mail, USPS, via e-mail to icmusps@usps.gov, with notification of new permit numbers used for Qualifying Mail one week in advance of using the new permit numbers. The message should include the permit number, the city, state, and ZIP Code where the permit is held, the name of the permit owner, and the anticipated effective date.
 - b. The appropriate USPS acceptance site(s) with notice of intent to mail and to adhere to the acceptance times and scheduling procedures in place at the appropriate acceptance site(s).
2. Tender To present the mailings to the USPS in drop shipments to the following address:

JT WEEKER INTERNATIONAL SERVICE CENTER
US POSTAL SERVICE
O'HARE INTERNATIONAL AIRPORT
514 EXPRESS CENTER DRIVE
CHICAGO IL 60688-9998
3. Software To apply address labels and Customs declaration to Qualifying Mail:
 - a. Using USPS-provided Global Shipping Software (GSS) or a USPS-approved functional equivalent of that software.
 - b. In the event that the Mailer decides to use a functional equivalent to the USPS-provided Global Shipping Software (GSS) not approved by the USPS, the Mailer must seek the approval of the USPS prior to deploying such software. Such approval shall be in the sole and unreviewable discretion of the USPS but shall not be unreasonably withheld.
4. Information Link To establish the necessary linkages with the USPS so that:
 - a. The Mailer and the USPS can exchange data transmissions concerning the Mailer's packages;
 - b. The USPS can, at the Mailer's request, extract information by scanning the Mailer-provided barcode on each package.
5. Data Transmission To exchange electronic information with the USPS according to the instructions the USPS provides.

ARTICLE 11. MINIMUM COMMITMENT

1. The Mailer is required to meet an annualized minimum commitment of [REDACTED]
2. In the event that the Mailer does not meet its minimum commitment as set forth in Paragraph 1 of this Article, the Mailer agrees to pay the USPS [REDACTED]
3. The USPS will provide the Mailer with an invoice for any postage due for the failure to meet the minimum commitment stated in Paragraph 1. All amounts due are to be paid within thirty (30) days of the date of the invoice. Any invoice that is not paid within thirty (30) days will incur [REDACTED]
[REDACTED] Any invoicing discrepancies will be resolved subsequent to payment of the invoice. In addition to [REDACTED] the USPS reserves the right to pursue other available remedies.

ARTICLE 12. TERM OF THE AGREEMENT

1. The USPS will notify the Mailer of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. The Agreement will remain in effect for one calendar year from the Effective Date, unless terminated sooner pursuant to Article 13.
2. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.

ARTICLE 13. TERMINATION OF THE AGREEMENT

1. Either Party to this Agreement, in its sole discretion, may terminate the Agreement for any reason, without cost, fault, or penalty, regardless of whether either Party is in default, upon a thirty (30) day written notification, unless a time frame longer than thirty (30) days that falls within the term of the Agreement is indicated by the terminating Party.
2. In the event that this Agreement is terminated for any reason before the termination date provided for in Article 12, the minimum commitment in Article 11 shall be enforceable and shall be calculated on a *pro rata* basis to reflect the actual duration of the Agreement.

ARTICLE 14. POSTAGE UPDATES

1. In the event that the USPS incurs an increase in costs [REDACTED] associated with providing this service, the USPS shall notify the Mailer and modify the prices established under this Agreement. [REDACTED]

2. The prices in Annex 1 are related to the non-discounted published postage for Express Mail International and Priority Mail International. In the event that the non-discounted published postage for these services should change, the prices in Annex 1 will also change. Such increases to the prices in Annex 1 shall be calculated using the same assumptions and constraints used to determine the prices in the existing Annex 1.
3. The USPS will give the Mailer thirty (30) days notice of changes to the prices in Annex 1.
4. Any revision of prices in Annex 1 shall not be retroactive.
5. No price shall increase beyond the non-discounted published price for the affected service.

ARTICLE 15. NO SERVICE GUARANTEE

Nothing in this Agreement shall be construed as a representation or guarantee by the USPS that Qualifying Mail will be delivered to the appropriate addresses within any particular time.

ARTICLE 16. CUSTOMS DUTIES AND TAXES

Customs duties, taxes, and/or fees for packages mailed under this Agreement are the responsibility of the addressee.

ARTICLE 17. MODIFICATION OF THE AGREEMENT

1. Any modification of this Agreement or additional obligation assumed by either Party in connection with this Agreement, with the exception of changes to prices under the terms of Article 14, shall be binding only if placed in writing and signed by each Party.
2. Modifications may be contingent upon any and all necessary approvals by USPS management's executive committee, the Board of Governors of the USPS, the Governors of the USPS, the Postal Regulatory Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission and/or any other governmental body with oversight responsibility for the USPS.
3. If such approvals are required, the modifications will not become effective until such time as all necessary approvals are obtained.
4. The USPS will notify the Mailer of the date the modification becomes effective within thirty (30) days after receiving the approval of the entities that have oversight responsibility for the USPS.
5. The USPS shall have no obligation to notify the Mailer of the status of the approval process or of potential fulfillment of the approval process.
6. Any changes to or modification of the local agreement referred to in Article 7, Paragraph 4 are not subject to the provisions of this Article.

ARTICLE 18. ENTIRE AGREEMENT AND SURVIVAL

This Agreement, including all Annexes thereto and any corresponding written local pickup agreement, shall constitute the entire agreement between the Parties and any prior understanding or representation of any kind preceding the date of this Agreement

shall not be binding upon either Party except to the extent incorporated in this Agreement. The provisions of Article 7, Paragraph 5; Article 8, Paragraph 4; and Article 20 shall expire ten (10) years from the date of termination or expiration of this Agreement.

ARTICLE 19. 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 acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages; governmental laws, ordinances, rules and regulations, whether valid or invalid; court orders whether valid or invalid; inability to obtain material, equipment or transportation; and any other similar or different contingency.

ARTICLE 20. CONFIDENTIALITY

The Mailer 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 Postal Regulatory Commission ("Commission") in a docketed proceeding. The Mailer authorizes the USPS to determine the scope of information that must be made publicly available in any Commission docketed proceeding. The Mailer 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, the USPS may file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets. The Mailer has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the PRC for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22 found on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. At the request of the Mailer, the USPS will notify the Mailer of the docket number of the Commission proceeding to establish the prices in this instrument once assigned.

ARTICLE 21. EFFECT OF PARTIAL INVALIDITY

The invalidity of any portion of this Agreement will not and shall not be deemed to affect the validity of any other provision. In the event that any provision of this Agreement is held to be invalid, the Parties agree that the remaining provisions shall be deemed to be in full force and effect.

ARTICLE 22. LIMITATION OF LIABILITY: INSURANCE

1. Except as noted in Paragraphs 2 and 3 of this Article, the liability of the USPS under this Agreement shall be limited to the refund of postage for Qualifying Mail that is lost or destroyed in bulk after being tendered to the USPS and prior to being received by the delivery authority outside of the United States. The USPS shall not be liable for any actual or consequential damages suffered by the Mailer as a result of late delivery or non-delivery of any Qualifying Mail. Qualifying Mail mailed under this Agreement is not insured against delay in delivery. Neither indemnity payments nor postage refunds will be made in the event of delay.
2. Express Mail International items that are tendered to the USPS under the terms of this Agreement include document reconstruction insurance for non-negotiable

documents up to one hundred dollars (\$100.00), and merchandise insurance up to one hundred dollars (\$100.00), at no additional charge. Insurance is provided against loss, damage, or missing contents. Optional additional merchandise insurance over one hundred dollars (\$100.00) may be purchased for an additional fee. Express Mail International merchandise insurance is not available to all countries and is subject to the maximum indemnity available to the country of destination. Express Mail International items that are tendered to the USPS under the terms of this Agreement are not insured against delay in delivery. Indemnity is payable in accordance with IMM 222.71 and IMM 935; and DMM 609 and DMM 503.

3. Except as noted in Paragraph 4 of this Article, Priority Mail International items that are tendered to the USPS under the terms of this Agreement include indemnity coverage against loss, missing contents, or damage at no additional charge. Indemnity is limited to the lesser of the actual value of the contents or the maximum indemnity based on the weight of the item. Priority Mail International items that are tendered to the USPS under the terms of this Agreement are not insured against delay in delivery. Indemnity will be paid in accordance with IMM 230 and IMM 933.
4. For a separate fee, Priority Mail International parcels may be insured against loss, missing contents, or damage. Indemnity is based on the actual value of the article at the time of mailing and is limited to the amount of insurance purchased by the fee paid. Priority Mail International insurance is not available to all countries and is subject to the maximum indemnity limits of the destination country. If insured mail service is purchased, it replaces the ordinary parcel indemnity specified in Paragraph 3. Indemnity will be paid in accordance with IMM 320, IMM 932, and IMM 933.
5. The USPS bears no responsibility for the refund of postage for Qualifying Mail in connection with actions taken by Customs authorities.

ARTICLE 23. INDEMNITY

The Mailer shall indemnify and save harmless the USPS and its officers, agents, and employees from any and all claims, losses, costs, damages, or expenses ("Claims") growing out of or connected in any other way with the discharge by the Mailer or its agents(s) of any undertaking contained in this Agreement, except for Claims arising out of the negligence or willful misconduct of the USPS or of its officers, agents, or employees. Notwithstanding its obligation to indemnify the USPS, the Mailer shall not be liable for any consequential damages suffered by the USPS.

ARTICLE 24. GOVERNING LAW

This Agreement shall be governed by, construed, and enforced in accordance with United States federal law.

ARTICLE 25. SUSPENSIONS OF MAIL SERVICE

In the event that a suspension of either Express Mail International or Priority Mail International service from the United States to a country would prevent delivery of Qualifying Mail to addressees in that country, the Mailer shall not tender Express Mail International or Priority Mail International, as appropriate, to the USPS until service is

restored. The annualized minimum commitment for Qualifying Mail set forth in Article 8 shall be recalculated *pro rata* to reflect the reduction in available service time.

ARTICLE 26. ASSIGNMENT

The rights of each Party under this Agreement are personal to that Party and may not be assigned or transferred to any other person, firm, corporation, or other entity without the prior, express, and written consent of the other Party.

ARTICLE 27. CONDITIONS PRECEDENT

1. The Parties acknowledge and understand that all obligations of the USPS under this Agreement, including the prices listed in Annex 1, shall be contingent on the USPS receiving approvals hereinafter ("Conditions Precedent") from one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include, but are not limited to: approvals or, if applicable, non-objection, from responsible USPS management officials, the USPS Board of Governors, the USPS Governors, the Postal Regulatory Commission, the Antitrust Division of the Department of Justice, the Federal Trade Commission, and/or any other governmental body with oversight responsibility for the USPS. The Parties acknowledge that the Agreement may not be approved by such individuals or bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to allow the Postal Service to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS and no benefit shall inure to either Party.
2. In the event that the Conditions Precedent are not fulfilled, the USPS shall have no liability, which shall include no obligation to pay costs associated with any action taken by the Mailer prior to the Effective 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, actual; special; indirect; incidental; punitive; consequential; 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 for costs incurred by either Party attributable to such non-approval such as attorney's fees.

ARTICLE 28. NO WAIVER

The failure of either Party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but these shall continue and remain in full force and effect as if such forbearance or waiver had not occurred.

ARTICLE 29. PARAGRAPH HEADINGS AND REFERENCE CITATIONS

The titles to the paragraphs of this Agreement are solely for the convenience of the Parties and shall not be used to explain, modify, simplify, or aid in the interpretation of the provisions of this Agreement. All citations to provisions in the DMM and IMM within this Agreement are intended to refer to the substantive information found within the cited section(s) at the time this Agreement was drafted. Subsequent changes to the citations or the relevant substantive information due to published revisions of the DMM or IMM shall be applicable to this Agreement upon the effective date of such revisions.

ARTICLE 30. MAILABILITY AND IMPORTABILITY

All items mailed under this Agreement must conform to the mailability requirements of the USPS as detailed in IMM 130 and conform to the importation restrictions of the destination countries. The Mailer is solely responsible for the importation status of the products mailed under this Agreement as detailed in IMM 112.

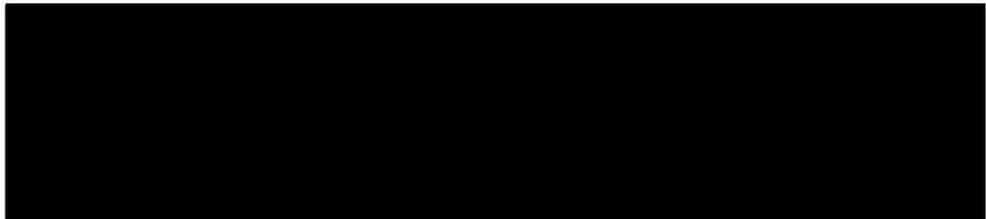
ARTICLE 31. NOTICES

All notices or demands to the Parties required by this Agreement shall be sufficient if delivered personally or mailed via Express Mail to the following individuals:

To the USPS:

Managing Director, Global Business and Vice President
United States Postal Service
475 L'Enfant Plaza SW Room 4016
Washington, DC 20260-4016

To the Mailer:



or via e-mail:

To the United States Postal Service at: icmusps@usps.gov

To the Mailer at:



ARTICLE 32. COUNTERPARTS

The Parties may execute this Agreement in one or more counterparts (including by facsimile or by electronic means such as .pdf format), not all Parties need be signatories to the same documents, and all counterparty-signed documents shall be deemed an original and one instrument.

ADDITIONAL ARTICLES WHICH APPLY UNDER OPTION A ABOVE

ARTICLE 33. PENALTY FOR THE IMPROPER TENDER OF MAIL

The penalty for the improper tender of mail under Option A shall be



ARTICLE 34. FRAUD

Under Option A above, the Mailer understands that providing false information with the intent to access discounted rates through the use of a PC Postage Provider may subject the Mailer to criminal and/or civil penalties, including fines and imprisonment.

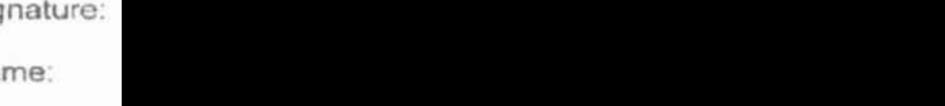


In witness whereof, each Party to this Agreement has caused it to be executed on the latter of the two dates accompanying the Parties' signatures.

ON BEHALF OF THE UNITED STATES POSTAL SERVICE:

Signature: Frank A. Cebello
Name: Frank A. Cebello
Title: Executive Director, Global Business Management
Date: 7/9/10

ON BEHALF OF

Signature: 
Name: 
Title: 
Date: 7/8/10

Annex 1

PRICES FOR EXPRESS MAIL INTERNATIONAL AND PRIORITY
MAIL INTERNATIONAL

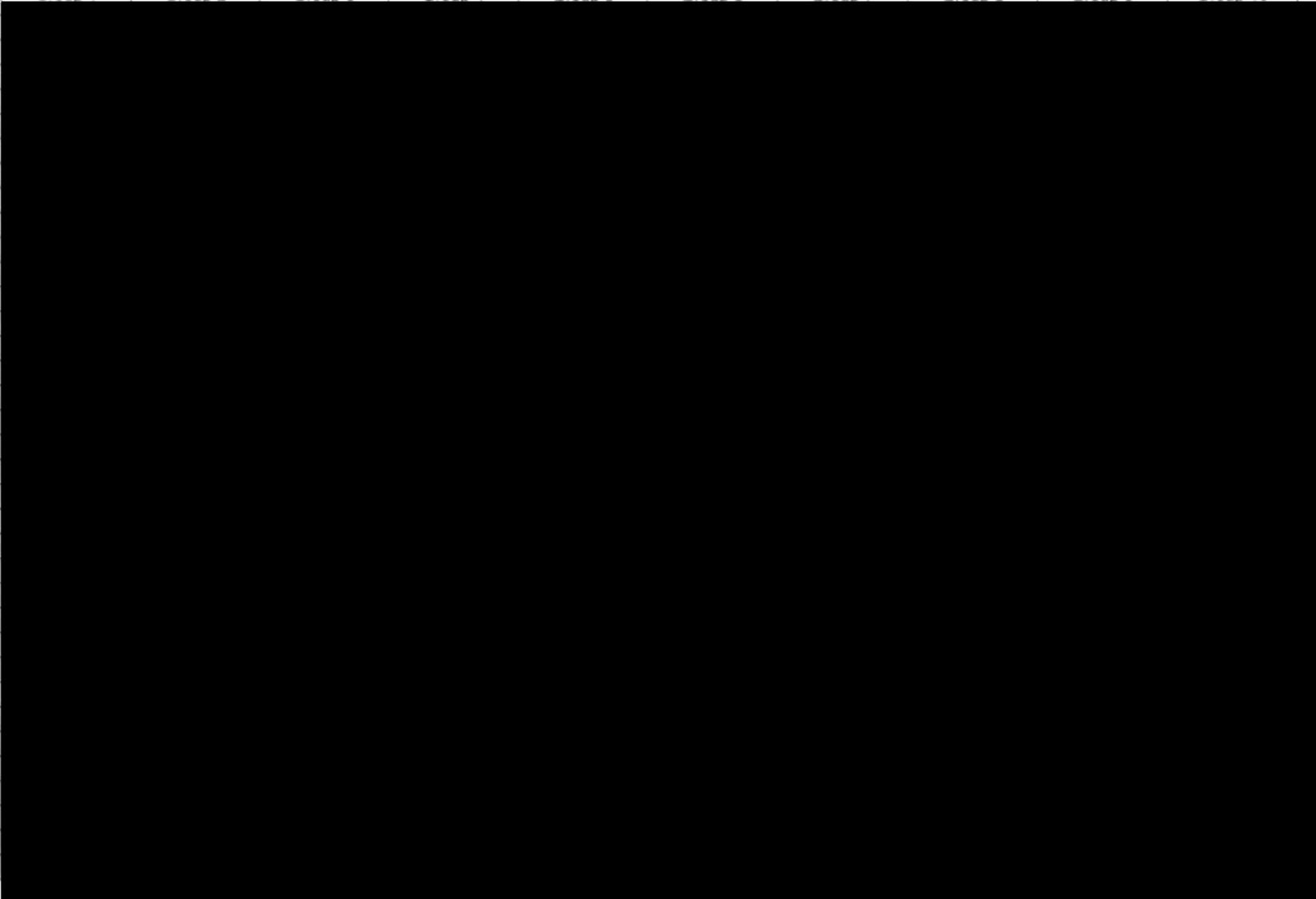
ANNEX 1 PRICES FOR EXPRESS MAIL INTERNATIONAL

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10
0.5										
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										

isc 5 / 6 10



ANNEX 1 PRICES FOR EXPRESS MAIL INTERNATIONAL

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46										
47										
48										
49										
50										
51										
52										
53										
54										
55										
56										
57										
58										
59										
60										
61										
62										
63										
64										
65										
66										
67										
68										
69										
70										

isc 5 / 6 10

ANNEX 1 PRICES FOR PRIORITY MAIL INTERNATIONAL

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26										
27										
28										
29										
30										
31										
32										
33										
34										
35										

isc 5 / 6 10

ANNEX 1 PRICES FOR PRIORITY MAIL INTERNATIONAL

Weight Not Over (LBS)	Group 1	Group 2	Group 3	Group 4	Group 5	Group 6	Group 7	Group 8	Group 9	Group 10
36										
37										
38										
39										
40										
41										
42										
43										
44										
45										
46										
47										
48										
49										
50										
51										
52										
53										
54										
55										
56										
57										
58										
59										
60										
61										
62										
63										
64										
65										
66										
67										
68										
69										
70										

isc 5 / 6 10

Certification of Prices for the Global Expedited Package Services Contract with

[REDACTED]

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Expedited Package Services Contract with [REDACTED]. The prices contained in this Contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Expedited Package Services Contracts, issued May 6, 2008 (Governors' Decision No. 08-7), which established prices by means of price floor and ceiling formulas.

I hereby certify that the numerical cost values underlying the prices in the [REDACTED] Contract are the appropriate costs to use in the formulas and represent the best available information. The prices, resulting in a cost coverage of in excess of the minimum required by the Governor's Decision, exclusive of pickup on demand and international ancillary services fees, are in compliance with 39 U.S.C § 3633 (a)(1), (2), and (3). The prices demonstrate that the Contract should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. International competitive mail accounts for a relatively small percentage of the total contribution by all competitive products. Contribution from Global Expedited Package Services Contracts should be even smaller. The Agreement with [REDACTED] should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.


Joseph Moeller

**DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE
ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR GLOBAL EXPEDITED PACKAGE
SERVICES CONTRACTS (GOVERNORS' DECISION NO. 08-7)**

May 6, 2008

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices. This decision establishes prices by setting price floor and price ceiling formulas for Global Expedited Package Services Contracts. The types of contracts to which these prices will apply are described in Attachment A, the price floor and price ceiling formulas are specified in Attachment B, and management's analysis of the appropriateness of these formulas is explained in Attachment C. We have reviewed that analysis and have concluded that the prices emerging from application of the formulas and the classification changes are in accordance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. Contracts which fall within the terms specified in Attachment A, and whose prices fall within the price range established by the price floor and price ceiling formulas specified in Attachment B, are hereby authorized.

The PAEA provides that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. We have determined that prices established according to the formulas listed in Attachment B would be appropriate for the services covered by the types of GEPS Contracts classified in Attachment A.¹ Management's analysis of the formulas, included as

¹ The classification for GEPS Contracts is contained in the Mail Classification Schedule language originally proposed by the Postal Service, as modified in Attachment A. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order

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

We are satisfied that the prices established by the formulas in Attachment B meet the applicable statutory and regulatory requirements. The price floor formula provides greater than 100 percent coverage of the costs attributable to each of these types of agreements. We accept and rely upon the certification in Attachment D that the correct cost inputs for the formulas have been identified. In addition, the price floor formula

[REDACTED] 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.

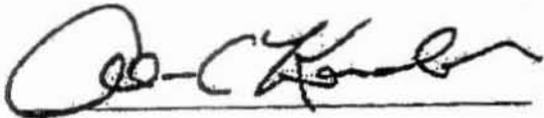
No agreement authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 C.F.R. § 3015.5. The notice must include a financial analysis that demonstrates that the agreement covers its attributable costs, based on [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.

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable GEPS Contracts, and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within the formulas set by this Decision and the certification process specified herein is followed. After an authorized agreement is entered into, the Postal Service shall comply with all applicable statutory and regulatory requirements.

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

By The Governors:

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

Alan C. Kessler
Chairman

Attachment A

Description of Applicable Global Expedited Package Services Contracts

2610.2 Global Expedited Package Services (GEPS) Contracts

These are contracts that provide for ~~discounts~~ incentives for Express Mail International (EMI) and/or Priority Mail International (PMI) for all destinations served by Express Mail International and Priority Mail International. Preparation requirements are the same as for all Express Mail International and/or Priority Mail International shipments with the following exceptions: The mailer is required to use USPS-supplied labeling software, or a non-USPS supplied labeling software that has the same functionality as the USPS-supplied labeling software. The software allows for preparation of address labels and Customs declarations and submission of electronic shipment information to the Postal Service, as well as prepayment of Customs duties and taxes and pre-advice for foreign Customs authorities by the Postal Service. The mailer may be required to prepare specific shipments according to country specific requirements. To qualify for a contract, a mailer ~~must tender all of its qualifying mail to the Postal Service and~~ must be capable, on an annualized basis of either tendering at least 600 5,000 pieces of ~~non-First Class Mail International~~ international mail to the Postal Service, or paying at least \$100,000 in international ~~\$12,000 in non-First Class Mail International~~ postage to the Postal Service. For a mailer to qualify, the contract must cover its attributable costs.

Size and Weight for Express Mail International:

	Length	Width	Height	Weight ¹
Minimum	Large enough to accommodate postage, address and other required elements on the address side.			
Maximum	36 inches	Length plus girth: 79 inches		

¹ Country-specific restrictions may apply as specified in the International Mail Manual.

Size and Weight for Priority Mail International:

	Length	Width	Height	Weight ¹
Minimum ²	5.5 inches	None	3.5 inches	None
Maximum	42 inches	Length plus girth: 79 inches Circular parcels: diameter: 64 inches		70

¹ Weight and other exceptional size limits based on shape and destination country restrictions may apply as specified in the International Mail Manual.

² Items must be large enough to accommodate postage, address and other required elements on the address side.

Minimum Volume or Revenue Commitment:

Mailers must commit to tender varying minimum volumes or postage of Express Mail International, Priority Mail International or both, on an annualized basis. The mailer is required to meet the minimum volume or weight requirements in effect for manifest mailing as specified by the Postal Service.

Price Categories:

The ~~discount is a fixed discount~~ incentives are based on the volume or revenue commitment above a specified cost floor. Also, separate charges apply if the customer has ~~the Postal Service label the mailpieces labeling, for harmonization and for or return services.~~

GEPS – Express Mail International

GEPS – Priority Mail International

Optional Features:

Pickup On-Demand

International Ancillary Services

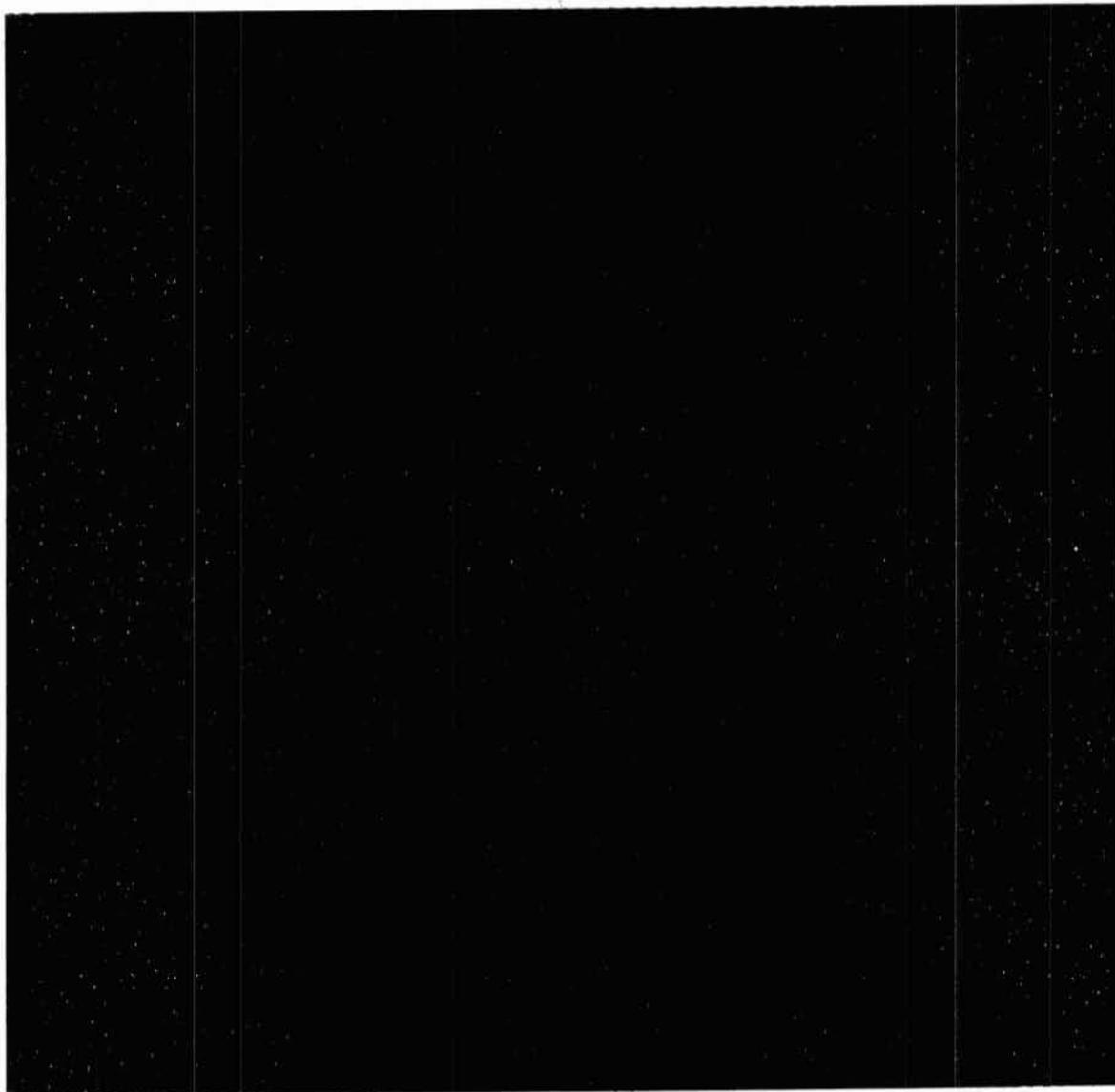
- International Certificate of Mailing (PMI flat-rate envelope only)
- International Insurance
- International Registered Mail (PMI flat-rate envelope only)
- International Restricted Delivery (PMI flat-rate envelope only)
- International Return Receipt

Software-Related Services:

- Labeling: At the mailer's request, the Postal Service will arrange for apply labels and Customs declarations at a postal location to be applied.
- Harmonization: At the mailer's request, the Postal Service ~~facilitates~~ will arrange for classification of merchandise according to country specified Customs regulations to determine applicable duties and taxes.
- Returns: At the mailer's request, the Postal Service will contracts with a returns center appropriate for the particular country. The returns center inspects the goods it receives from the mailer's customers and returns the goods in bulk to the mailer in the United States. The Postal Service invoices the mailer for appropriate charges. The Postal Service may also charge for certain Express Mail International and Priority Mail International ~~undeliverable-as-addressed~~ returns when customs duties have been prepaid.

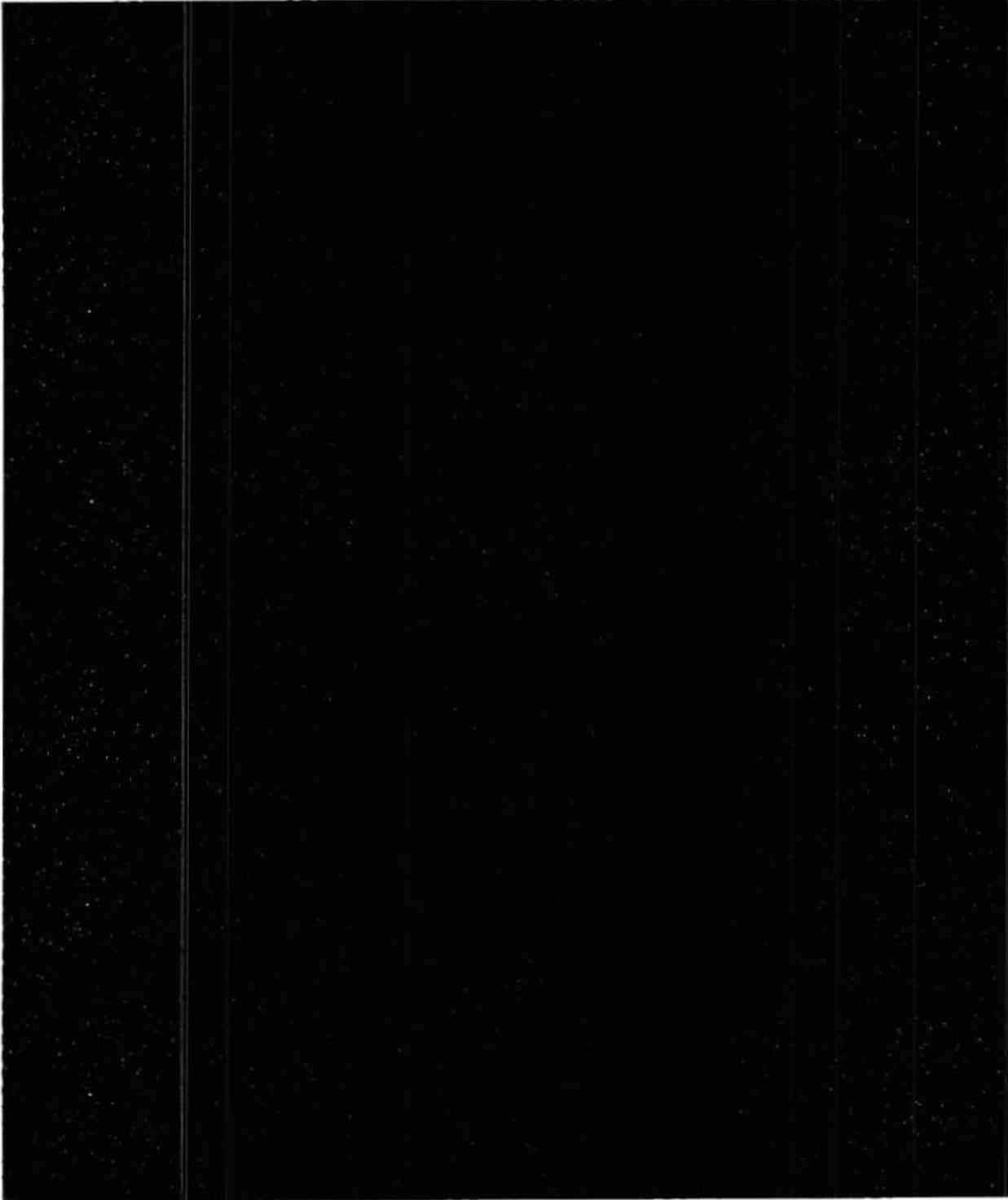
Attachment B

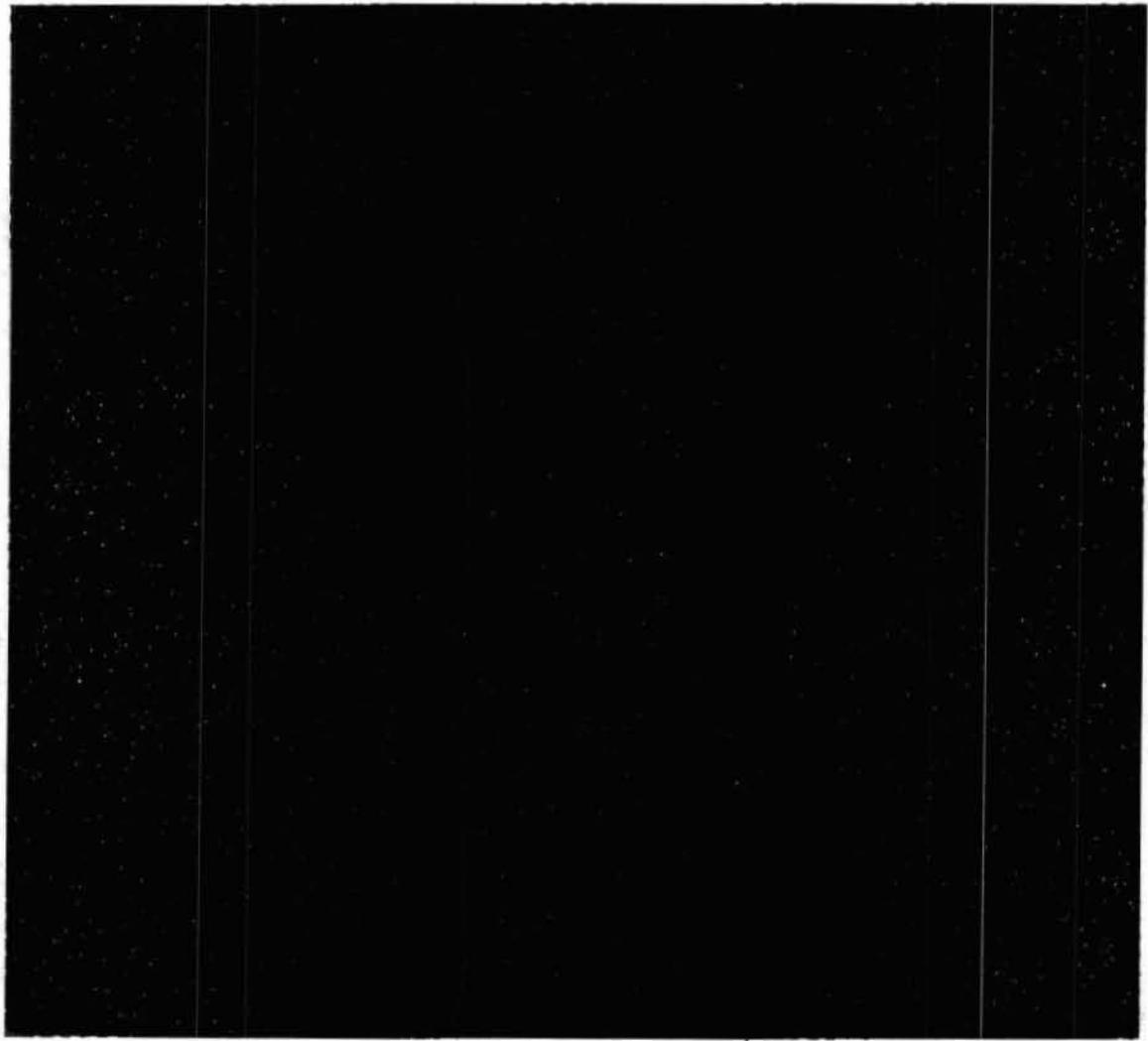
**Formulas for Prices Under Applicable Global Expedited Package Services
Contracts**



Attachment C

**Analysis of the Formulas for Prices Under Applicable Global Expedited Package
Services Contracts**



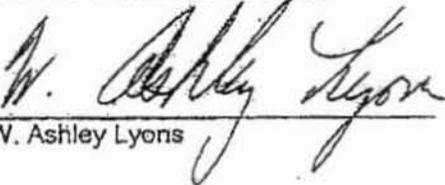


Attachment D

Certification as to the Formulas for Prices Offered Under Applicable Global
Expedited Package Services Contracts

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 Global Expedited Package Services 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 Global Expedited Package Services Contracts should be much smaller. Even if all the agreements for Global Expedited Package Services Contracts 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. 08-7

I hereby certify that the following Governors voted at the May 6, 2008, Board meeting on adopting Governors' Decision No. 08-7:

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

The vote was 9-0 in favor.



Julie S. Moore
Secretary of the Board of Governors

Date: 5/14/08

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

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹ the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed with the Commission in this docket. The materials pertain to an additional Global Expedited Package Services 2 (GEPS) contract which the Postal Service believes is functionally equivalent to previously filed GEPS agreements. The contract and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission, although a redacted copy of the contract, a certified statement required by 39 C.F.R. § 3015.5(c)(2) for each contract, and the related Governors' Decision are filed with the Notice as Attachments 1, 2 and 3, respectively.²

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);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(3) and (4). The Commission may determine the appropriate level of confidentiality to be afforded to

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

² The Postal Service informed the customer prior to filing its notice that it would be seeking non-public treatment of the redacted portions of the contract. The Postal Service also informed the customer that it could file its own application for non-public treatment of these materials in accordance with 39 C.F.R. § 3007.22.

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).³ Because the portions of materials filed non-publicly in this docket 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 e-mail 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 GEPS contracts, the Postal Service believes that the third party with a proprietary interest in the materials is the customer with whom the contract is made.⁴ The Postal Service maintains that customer identifying information should be withheld from public disclosure. Therefore, rather than identifying the customer for this

³ 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.

⁴ However, other postal operators can be considered to have a proprietary interest in some rate information in the financial workpapers included with this filing. The Postal Service maintains that such information should be withheld from public disclosure. In view of the practical difficulties, the Postal Service has not undertaken to inform all affected postal operators about the nature and scope of this filing and about the ability to address any confidentiality concerns directly with the Commission as provided in 39 C.F.R. § 3007.20(b). Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators. The Postal Service identifies as an appropriate contact person Brian Hutchins, Manager, International Postal Relations. Mr. Hutchins' phone number is (703) 292-3591, and his email address is brian.hutchins@usps.gov. 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 filing in the absence of actual notice might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator, and to designate a Postal Service employee as the contact person under these circumstances, since it is impractical to communicate with dozens of operators in multiple languages about this matter.

contract, the Postal Service gives notice that it has already informed the customer, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address their confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the third party with proprietary interest in the materials filed in this docket is Mr. James J. Crawford, Business Development Specialist, Global Business, United States Postal Service, 1735 North Lynn Street, Room 2030, Arlington, VA 22209-2030, whose email address is james.j.crawford@usps.gov, and whose telephone number is 703-292-3614.

(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 Notice filed in this docket, the Postal Service included a contract, financial workpapers, and a statement for the contract certifying that the agreement should meet the requirements of 39 U.S.C. § 3633(a)(1), (2), and (3). These materials were filed under seal, with redacted copies filed publicly, after notice to the customer. The Postal Service maintains that the redacted portions of the contract, related financial information, and identifying information related to the GEPS customer, should remain confidential.

With regard to the GEPS agreement filed in this docket, the redactions on page 1, to the footers of each page, to Article 31, and to the signature block constitute the name or address of a postal patron 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 redacted portions of the footers of Annex 1 also protect the customer's identifying information from disclosure.

Other redacted information in the agreement includes negotiated contract terms, such as the minimum volume and/or revenue commitment agreed to by the customer, various penalties, and the percentage of cost increase which may trigger a consequential price increase.

The redactions made in Annex 1 of the contract, other than those involving the customer's name, withhold the actual prices that are being offered to this customer in exchange for their commitments and performance of its obligations under the terms of the agreements.

The redactions applied to the financial workpapers protect commercially sensitive information such as underlying costs and assumptions, pricing formulas, information relevant to the mailing profile of the customers, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions in the workpapers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b). However, in a limited number of cases, narrative passages, such as words or numbers in text, were replaced with general terms describing the redacted material. For example, where the mailer's name appears in the spreadsheet within a cell, it has been replaced by the word "Mailer." Likewise, where an actual number appears as a percentage discount as a column header, in the public filing the number is replaced by the word "Discount" and followed by the percentage symbol (e.g., Discount%).

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

If the portions of the contract that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is 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, its competitors would take immediate advantage of it. The GEPS agreements 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 redacted information in this Agreement (which is included as Attachment 2 to this notice) includes negotiated contract terms, such as the minimum volume and/or revenue commitment agreed to by the customers, various penalties and the percentage of cost increase which may trigger a consequential price increase. 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 assess the offers made by the Postal Service to its customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, 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 workpapers include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, mailer profile information, projections of variables, contingency rates included to account for market fluctuations and the

exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required by the mail classification schedule to demonstrate that each negotiated agreement within this group covers its attributable costs. Furthermore, the Postal Service's Governors have required that each contract be submitted to the Commission with a notice that complies with 39 C.F.R. § 3015.5.⁵ Thus, competitors would be able to take advantage of the information to offer lower pricing to the GEPS customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the expedited package services market. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the contract or from the information in the workpapers whether additional margin for net profit exists between the contract being filed and the contribution that GEPS contracts must make. From this information, each customer could attempt to negotiate ever-increasing incentives, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the customer involved in this GEPS filing could use the information in the workpapers in an attempt to renegotiate its own rates by threatening to terminate its current agreement, although the Postal Service considers this risk to be lower in comparison to those previously identified.

⁵ Decision of the Governors of the United States Postal Service On The Establishment of Prices and Classifications for Global Expedited Package Services Contracts, May 6, 2008, (Governors' Decision No. 08-7) at 2-3 and Attachment A.

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

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

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

Hypothetical: The identity of the customer in this contract is revealed to the public.

Another expedited delivery service has an employee monitoring the filing of GEPS agreements 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 USPS in favor of using the competitor's services.

Identified harm: Public disclosure of information in the financial workpapers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing expedited package delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. It analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its GEPS customers under

that threshold and markets its ability to guarantee to beat the Postal Service on price for international expedited delivery services. By sustaining this below-market strategy for a relatively short period of time, the competitor, or all of the Postal Service's competitors acting in a likewise fashion, would freeze the Postal Service out of the business-to-business and business-to-customer expedited delivery services markets for which the GEPS product is designed.

Identified harm: Public disclosure of the rate charts in Annex 1 would provide potential customers extraordinary negotiating power to extract lower rates.

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

Alternatively, Customer B attempts to extract lower rates only for those destinations for which it believes the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which it believes will still satisfy total cost coverage for the agreement. Then, the Customer uses other providers for destinations other than those

for which it extracted lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement, such that it no longer meets its cost coverage requirement. Although the Postal Service could terminate the contract when it first recognized that the mailer's practice and projected profile were at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on the GEPS product overall.

Identified harm: Public disclosure of information in the contract and the financial workpapers would be used by the customer's competitors to its detriment.

Hypothetical: A firm competing with the customer obtains a copy of the unredacted version of the contract and financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the prices and the workpapers to assess the customer's underlying costs, volumes, and volume distribution for the corresponding delivery products. The competitor uses that information to (i) conduct market intelligence on the customer's business practices, and (ii) develop lower-cost alternatives using the customer's mailing costs as a baseline.

(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 administrations), 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 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;

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.

(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.