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

MARKET DOMINANT PRODUCT PRICES INBOUND MARKET-DOMINANT MULTI-SERVICE AGREEMENTS WITH FOREIGN POSTAL OPERATORS 1	Docket Nos. MC2010-35
MARKET DOMINANT PRODUCT PRICES STRATEGIC BILATERAL AGREEMENT BETWEEN UNITED STATES POSTAL SERVICE AND KONINKLIJKE TNT POST BV AND TNT POST PAKKETSERVICE BENELUX BV (MC2010-35) NEGOTIATED SERVICE AGREEMENT	R2010-5
MARKET DOMINANT PRODUCT PRICES CHINA POST GROUP - UNITED STATES POSTAL SERVICE LETTER POST BILATERAL AGREEMENT (MC2010-35) NEGOTIATED SERVICE AGREEMENT	R2010-6

REQUEST OF UNITED STATES POSTAL SERVICE TO ADD INBOUND MARKET-DOMINANT MULTI-SERVICE AGREEMENTS WITH FOREIGN POSTAL OPERATORS TO THE MARKET DOMINANT PRODUCT LIST, NOTICE OF TYPE 2 RATE ADJUSTMENTS, AND NOTICE OF FILING TWO FUNCTIONALLY EQUIVALENT AGREEMENTS (UNDER SEAL)
(August 13, 2010)

In accordance with 39 U.S.C. §§ 3622(c)(10) and 3642 and 39 C.F.R. §§ 3010.40 *et seq.* and 3020.30 *et seq.*, the United States Postal Service (Postal Service) hereby requests that Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 be added to the market dominant product list within the Mail Classification Schedule (MCS). Pursuant to authorization from its Governors, the Postal Service also provides notice of Type 2 rate adjustments, in accordance with 39 C.F.R. § 3010.40 *et seq.*, that result in improvement over default rates established under the Universal Postal Union (UPU) Acts for inbound Letter Post items. Pursuant to this authority, the Postal Service hereby gives notice that it has entered into two functionally equivalent Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators. These include:

1. the Strategic Bilateral Agreement Between United States Postal Service and Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV (hereinafter “TNT Agreement”); and
2. the China Post Group - United States Postal Service Letter Post Bilateral Agreement (hereinafter “CPG Agreement”).

Accordingly, the Postal Service requests that the Postal Regulatory Commission (Commission) list these two Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators, together with any subsequent functionally equivalent agreements, as part of a single product grouping on the market dominant products list.

Attachment 1 to this Request includes proposed MCS language for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators. Attachment 2 is the Statement of Supporting Justification of Ms. Lea Emerson, Executive Director, International Postal Affairs, pursuant to 39 C.F.R. § 3020.32. Redacted copies of the two agreements are included in the public version of this filing as Attachments 3A and 3B. The full text of the agreements and supporting financial documentation are being filed separately under seal with the Commission. Attachment 4 to this filing is the Postal Service’s application for non-public treatment of these materials. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Notice of Agreements and Rate Adjustment

A. Criteria under Part 3010, Subpart D of the Rules of Practice and Procedure

The Postal Service provides the following answers, descriptions, and affirmations in response to the criteria for contents of a notice of agreement in support of a negotiated service agreement, as provided in 39 C.F.R. § 3010.42. This statement provides support for the implementation of the Agreements and the establishment of the rates offered therein.

> *(a) … [A] notice of agreement that shall include at a minimum:*
> *(1) A copy of the negotiated service agreement;*
> *(2) The planned effective date(s) of the proposed rates;*
> *(3) A representation or evidence that public notice of the planned changes has been issued or will be issued at least 45 days before the effective date(s) for the proposed new rates; and*
> *(4) The identity of a responsible Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission.*

As described above, copies of two agreements are being filed under seal in connection with the instant filing. Both agreements' inbound market dominant rates are planned to become effective on October 1, 2010. Public notice of these rates is being given through the instant Request at least 45 days before the effective date. As this pleading involves a request to add a product to the market dominant products list, public notice about this Request will also be sent for publication in the *Federal Register* before the effective date. Ms. Lea Emerson, Executive Director, International Postal Affairs, will be available to provide prompt responses to requests for clarification from the Commission.

(b) A statement identifying all parties to the agreement and a description clearly explaining the operative components of the agreement.

The parties to the TNT Agreement are the United States Postal Service and Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV (collectively "TNT Post"), subsidiaries of the postal operator for the Netherlands. The market dominant portion of this agreement includes inbound Letter Post, in the form of letters, flats, small packets, bags, and containers, and International Registered Mail service for Letter Post. The agreement also establishes a placeholder for an additional ancillary service for delivery confirmation scanning with Letter Post small packets, although rates for this service have not yet been determined. Rates for other competitive services offered under the agreement, including inbound air and surface parcels and Express Mail Service, will be filed in a separate proceeding before the Commission.

The parties to the CPG Agreement are the United States Postal Service and China Post Group (CPG), the postal operator serving the People's Republic of China. This agreement includes inbound Letter Post, in the form of letters, flats, small packets, bags, and containers, and International Registered Mail service for Letter Post. The agreement also establishes an ancillary service for delivery confirmation scanning with Letter Post small packets.

(c) Details regarding the expected improvements in the net financial position or operations of the Postal Service. The projection of change in net financial position as a result of the agreement shall include for each year of the agreement:
(1) The estimated mailer-specific costs, volumes, and revenues of the Postal Service absent the implementation of the negotiated service agreement;
(2) The estimated mailer-specific costs, volumes, and revenues of the Postal Service which result from implementation of the negotiated service agreement;

(3) An analysis of the effects of the negotiated service agreement on the contribution to institutional costs from mailers not party to the agreement; and
(4) If mailer-specific costs are not available, the source and derivation of the costs that are used shall be provided, together with a discussion of the currency and reliability of those costs and their suitability as a proxy for the mailer-specific costs.

The Postal Service has provided information about expected financial improvements, costs, volumes, and revenues in the financial workpapers that it has filed under seal.

(d) An identification of each component of the agreement expected to enhance the performance of mail preparation, processing, transportation or other functions in each year of the agreement, and a discussion of the nature and expected impact of each such enhancement.

For the TNT agreement, performance improvements are already covered by the performance incentives and penalties for terminal dues provided by the UPU Acts. Other improvements under the TNT Agreement include the following aspects:

- Settlement and payment processes will be electronically-based to the extent practicable, with the objective being to make such processes efficient, timely, and specific to each particular service or type of service;
- The parties are encouraged, but not required, to consider offering one another incentives for optional activities, such as sortation or separation changes; and
- The parties have created a placeholder for delivery confirmation service with Letter Post small packets.

For the CPG Agreement, the performance improvements include the following aspects:

- The parties' agreement suggests sortations for routing to the Postal Service's International Service Centers based on destination ZIP Codes; and
- The parties have created a delivery confirmation service for Letter Post small packets, which is designed to track and report specified scanning events for customers in China and recipients in the United States. In addition, the parties provided for separation of these pieces for processing purposes.

(e) Details regarding any and all actions (performed or to be performed) to assure that the agreement will not result in unreasonable harm to the marketplace.

These agreements will not result in unreasonable harm to the marketplace. Both operators maintain a generally dominant position in the market for Letter Post originating in their respective home countries, particularly for single-piece customers in the case of TNT, and for Letter Post generally in the case of CPG. Therefore, TNT Post and CPG are the only entities in a position to avail themselves of agreements with the Postal Service of this type and scope. The United States' Private Express Statutes also generally prohibit entities other than the Postal Service from carrying inbound international letters commercially after entry at a U.S. port, at least below certain price and weight thresholds. The Postal Service is unaware of any private entity that would be able to serve the United States market for inbound Letter Post from the Netherlands or the People's Republic of China on the terms and scale contemplated in these agreements.

In addition, the Postal Service, TNT and CPG serve as their respective countries' designated operators for the exchange of mail, including in particular Letter Post, under rules set by the UPU. Designated operators ordinarily compensate one another for the delivery of Letter Post in accordance with terminal dues rates set by the UPU, unless a bilateral agreement is concluded.[1] Because no other entities are in a position to serve as designated operators for the relevant types of mail either originating in Netherlands or the People's Republic of China, or destined for the United States, and because no other entities are subject to terminal dues rates with respect to inbound Letter Post to the United States from the Netherlands (in the case of TNT Post) or the People's Republic of China (in the case of CPG), the market for the services offered under each of these agreements is in essence limited to its parties.

Because there is no significant competition in the relevant market when the inbound Letter Post flows are considered in totality, the Postal Service submits that the agreements cannot reasonably be expected to pose competitive harm to the marketplace.[2]

> *(f) Such other information as the Postal Service believes will assist the Commission to issue a timely determination of whether the requested changes are consistent with applicable statutory policies.*

In this docket, the Postal Service is presenting only two agreements to deliver Letter Post in the United States that is tendered by foreign postal operators. The rates paid by the Postal Service to TNT Post and CPG for outbound delivery of the Postal Service's market dominant products in the Netherlands and the People's Republic of China have not been presented to the Commission. Those rates represent supplier

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[1] See Universal Postal Convention Article 27 ¶ 9.

[2] This does not imply, however, that there is an absence of competition in this market. The market is liberalized to some degree, particularly for bulk business letters and heavier weight Letter Post.

costs to the Postal Service, which are built into the prices that the Postal Service charges its mailing customers for outbound market dominant products to be delivered in the Netherlands and the People's Republic of China. An agreement concerning outbound market dominant services with either postal operator would no more need to be classified as a product or otherwise subjected to prior Commission review than would an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers.

B. Data Collection Plan

Under 39 C.F.R. § 3010.43, the Postal Service must include with its notice of agreement "a detailed plan for providing data or information on actual experience under the agreement sufficient to allow evaluation of whether the negotiated service agreement operates in compliance with 39 U.S.C. [§] 3622(c)(10)."[3] The Postal Service intends to report information on these agreements through the Annual Compliance Report. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from the Netherlands or the People's Republic of China within the course of the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for these agreements. Further, with respect to performance measurement, because each of these agreements is "merely a grouping of other products already being

[3] 39 C.F.R. § 3010.43.

measured,"[4] the Postal Service respectfully requests that they be excepted from separate reporting under 39 C.F.R. § 3055.3(a)(3).[5]

C. Statutory Criteria

Under 39 U.S.C. § 3622(c)(10), the criteria for the Commission's review are whether the agreement (1) improves the net financial position of the Postal Service or enhances the performance of operational functions, (2) will not cause unreasonable harm to the marketplace, and (3) will be available on public and reasonable terms to similarly situated mailers. The first two criteria have been addressed in Part II.A above. With respect to the third criterion, there are no entities that are similarly situated to TNT Post or CPG in their ability to tender the broad-based Letter Post flows from the territories each postal operator serves under similar operational conditions, nor any other entities that serve as a designated operator for Letter Post originating in Netherlands or the People's Republic of China. Therefore, the Postal Service finds it difficult to conceive of a "similarly situated mailer" to which it could make a similar agreement available for each country-specific flow; accordingly, the Postal Service views this criterion as inapplicable in this instance.[6] Because all of the criteria set forth in 39 U.S.C. § 3622(c)(10) have been met, the Postal Service respectfully urges the

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[4] PRC Order No. 292, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, Docket No. RM2009-11, September 2, 2009, at 15.

[5] *See* United States Postal Service Response to Order No. 465 and Request for Semi-Permanent Exceptions from Periodic Reporting Of Service Performance Measurement, Docket No. RM2010-11, June 25, 2010, at 25 (requesting semi-permanent exceptions from service performance reporting for active market-dominant negotiated service agreements, including the agreement for inbound market-dominant services with Canada Post Corporation).

[6] *See* PRC Order No. 163, Order Concerning Bilateral Agreement with Canada Post for Inbound Market Dominant Services, Docket Nos. MC2009-7 and R2009-1, December 31, 2008, at 9-10 ("Given its narrow characterization of the underlying Agreement, the Postal Service's position [as to 'similarly situated mailers'] is correct. For purposes of this proceeding, the Commission concludes that it would be largely an academic exercise to consider whether a broader characterization should be employed.").

Commission to act promptly by allowing the Agreement's rates to be implemented under 39 C.F.R. § 3010.40, as requested.

II. Request to Add Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators to the Market Dominant Products List

A. Identification of Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1

The product grouping for Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators is described in the attached mail classification schedule language. The grouping includes an array of services for inbound international mail items tendered by foreign postal operators. The types of services include Letter Post matter up to 2 kilograms; ancillary services that can be combined with Letter Post items, to include not only the standard set of supplementary services under the UPU Acts, but also services unique to the agreement; and direct entry items, that is, items bearing U.S. domestic postage and indicia and meeting U.S. domestic mailing requirements The classification language also includes the possibility of scanning, service performance, mail preparation, and shared transportation.

The terms of each of the bilateral agreements at issue in this proceeding fit within the new proposed MCS language included as Attachment 1 to the instant filing. Both agreements establish prices for inbound Letter Post flows, along with ancillary services to accompany inbound Letter Post.

B. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure

The Statement of Supporting Justification of Ms. Lea Emerson, Executive Director, International Postal Affairs, is included as Attachment 2 in accordance with Part 3020, Subpart B of the Rules of Practice and Procedure. This Statement provides support for the addition of Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators, as well as the two functionally equivalent agreements presented in this proceeding, to the market dominant products list.

Under 39 U.S.C. § 3642(b), the criteria for such review are whether the product qualifies as market dominant as a function of the Postal Service's market power, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has been addressed in this case. With Order No. 43, the Commission has already assigned all inbound shipments of single-piece Letter Post to the market dominant category,[7] and the agreements at issue here both implement negotiated rates and operational provisions concerning Letter Post. Notably, a similar bilateral agreement with Canada Post for calendar year 2009, presented in Docket Nos. R2009-1 and MC2009-7, along with a successor instrument to the initial agreement for calendar years 2010 and 2011, presented in Docket Nos. R2010-2 and MC2010-12, was determined to satisfy statutory criteria for placement on the market dominant product list, particularly with regard to the inbound Letter Post items that are the focus of this docket.[8] The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed in Ms. Emerson's statement. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the market dominant products list as requested.

[7] PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. RM2007-1, October 29, 2007, at 99-100, ¶ 4003 (placing Inbound First-Class Mail International as a subset within the First-Class Mail class).
[8] PRC Order No. 163 at 7, 10; PRC Order No. 375, Order Concerning Bilateral Agreement with Canada Post for Inbound Market Dominant Services, Docket Nos. MC2010-12 and R2010-2, December 30, 2009, at 7-8, 11.

C. Functional Equivalency

The TNT Agreement and CPG Agreement are functionally equivalent to each other. A description is provided of Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators, in the proposed MCS language included as Attachment 1 to the instant filing. As discussed previously, the terms of the TNT Agreement and the CPG Agreement fit within the new proposed MCS language included as Attachment 1 to the instant filing. Therefore, the TNT Agreement and the CPG Agreement conform to a common description.

Both instruments are constructed from a similar template and contain many similar terms and conditions. Both agreements provide rates for Letter Post tendered to the Postal Service from each postal operator's territory, along with ancillary services to accompany inbound Letter Post. Each contract is with a foreign postal operator.

The benefits of the two contracts to the Postal Service are comparable as well. Because the agreements incorporate the same attributes and methodology, the relevant characteristics of the two contracts are similar, if not the same. Therefore, the Postal Service submits that the two contracts are functionally equivalent to each other and should be added to the market dominant product list as Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators. There are, however, differences between these two contracts. Such differences include:

- Article 2 of the TNT Post Agreement makes provision for electronic settlement, while the CPG Agreement is silent on this matter.

- The termination clauses in Article 8 of both agreements establish a different number of days for advance notice, although the two clauses are similar in concept.
- The minor differences between the dispute resolution clauses in Article 9 of the agreements, the presence of an Article 23 concerning Intellectual Property, Co-Branding, and Licensing and a survival clause in the last article of the CPG Agreement, reflect the outcome of negotiations between the parties.
- The TNT Agreement includes a reference to the E-Parcels Group Agreement in Articles 11 and 21, and in the final footnote to Attachment 1, reflecting the fact that the Postal Service and TNT are currently parties to that instrument..
- As set forth in Article 22 Term, the TNT Agreement is a two-year agreement which shall be automatically renewed unless the Parties agree otherwise or either Party advises the other Party that it is unable to continue the Agreement for any reason. The CPG Agreement is a one-year agreement, which shall be re-evaluated by both Parties upon the expiration of the one-year period.
- The settlement charges for similar services set forth in Annex 1 of the CPG Agreement and in Attachment 1 of the TNT Post Agreement differ.
- Attachment 1 of the TNT Post Agreement includes rates for inbound Surface M-Bags.

- Annexes 1, 2 and 3 of the CPG Agreement include rates, preparation requirements, financial requirements and other information concerning letter packets with delivery confirmation ("Small Packet with Delivery Scanning"). By contrast, the TNT Agreement contains a placeholder for the provision of this service in the future.
- The Specifications of Mail Product Categories and Formats in Attachment 1 of the TNT Agreement include specifications for M-Bags and Global Confirmation. Such specifications are not included in the CPG Agreement.
- The CPG Agreement includes Annex 4, Detailed Item Content Restrictions, and Annex 5, Suggested Office of Exchange Routing Details.

The Postal Service does not consider that the specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contracts. Nothing detracts from the conclusion that these agreements are functionally equivalent to each other. If these agreements are added under a single product heading within the First-Class Mail class, then, presumably, other subsequent agreements similar to these instruments for country-specific inbound flows of Letter Post would be presented to the Commission under cover of a notice of filing, without the need for a separate classification request accompanying each such agreement.

III. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the two agreements and related financial information should remain confidential. In accordance with 39 C.F.R. §

3007.21, the Postal Service files as Attachment 4 to this Request its application for non-public treatment of materials filed under seal. A full discussion of the required elements of the application appears in Attachment 4.

IV. Conclusion

For the reasons discussed, the Postal Service believes that Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1, along with the first two functionally equivalent agreements under this grouping with TNT Post and CPG, should be added to the market dominant products list. The Postal Service asks that the Commission approve this Request.

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

Respectfully submitted,

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Attachment A

Description of Applicable Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators

1621 Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators

1621.1 Description

a. Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators provide prices for acceptance, transportation within the United States, and delivery of inbound Letter Post tendered by foreign postal operators. In particular, such agreements establish negotiated rates for inbound priority and/or non-priority letter trays, flat trays, small packets weighing up to 2 kilograms (4.4 pounds), bags, and/or containers, including registered mail bags, M-bags, and transit items. These items may also include direct entry letters, flats, and small packets bearing domestic postage and indicia. Such agreements may also establish negotiated rates for services ancillary to such items and for customized market-dominant services developed for application solely in the context of the agreement.

b. Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators may set forth general operating terms and conditions, on-time delivery and scanning service performance targets and standards, specifications for mail product categories and formats, processes for indemnity, and shared transportation arrangements that modify the requirements generally applicable to the services covered by each agreement.

c. Items tendered under Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators items are either sealed or not sealed against inspection, according to the general nature of each underlying service.

1621.2 Size and Weight Limitations

Size and weight requirements are the requirements for any applicable type of inbound Letter Post, subject to any applicable country-specific modifications.

1621.3 Optional Features

The Postal Service may offer such optional features as may be mutually agreed with the relevant foreign postal operator.

1621.4 Products Included in Group (Agreements)

- Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-35, R2010-5)
    - Strategic Bilateral Agreement Between United States Postal Service and Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV

- Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-35, R2010-6)
    - China Post Group - United States Postal Service Letter Post Bilateral Agreement

Statement of Supporting Justification

I, Lea Emerson, Executive Director, International Postal Affairs, am sponsoring the Request that the Commission add Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators filed in Docket No. MC2010-35 to the market dominant products list. The proposed Mail Classification Schedule (MCS) language for this grouping describes this agreement. My 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 chapter 36 of title 39 of the United States Code.

As demonstrated below and in the Request and Notice to which this statement is attached, 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).

Unlike Type 1 and 3 rate adjustments, the Commission has acknowledged in 39 C.F.R. § 3010.2(a) that rate adjustments for negotiated service agreements are authorized by 39 U.S.C. § 3622(c)(10), rather than 39 U.S.C. § 3622(d). Therefore, the requirements of 39 U.S.C. § 3622(d) do not appear to apply in this instance.

In the Request and Notice to which this statement is attached, the Postal Service has explained how Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators comply with the applicable sub-factors in 39 U.S.C. § 3622(c)(10). The product grouping, along with the two agreements submitted in this proceeding, also accord with the objectives stated in 39 U.S.C. § 3622(b) and the other factors stated in 39 U.S.C. § 3622(c), to the extent applicable. By negotiating directly with foreign postal operators through bilateral agreements such as the two instruments submitted here, it is possible to present prices that more accurately represent the services' costs and the value that the foreign postal operator and its customers place on the services being provided (factors 1 and 7), which offer reliability and varying degrees of delivery speed (factor 9). With respect to the two contracts presented here, the rates in each agreement will remain in effect for the term established in each contract, and represent changes over default rates under the Universal Postal Union (UPU) Acts, thereby achieving the goal of predictability and stability for the counter-party postal operator and its customers, as well as the Postal Service (objective 2).

The classification language also provides the opportunity for the negotiation of on-time delivery and scanning service performance targets and standards, development of more efficient and customized services, specifications for mail product categories and formats, processes for indemnity, and shared transportation arrangements that modify the requirements generally applicable to the services covered by each (objectives 1 and 3 and factor 12). The two agreements here present such opportunities. For instance, the TNT Agreement lays the groundwork for electronic settlement procedures, while the CPG agreement provides for scanning and confirmation of delivery of Letter Post packets, which represents a key service enhancement for ordinary Letter Post items. To the extent included in any agreement under this product grouping, some of these efficiency-improving activities may reduce the Postal Service's costs (factor 5).

Under the terms of the Resolution adopted by the Governors for this product grouping, the revenues earned by the Postal Service under Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators must improve cost coverage for inbound flows over default rates under the UPU Acts, thereby helping to promote financial stability (objective 5). As a result, Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators will promote the long-term objective of achieving cost-covering terminal dues (objective 9 and factor 2). These rates provide superior cost coverage over the default rates set by the UPU (objectives 5, 8, and 9 and factor 7). The rates presented in the two agreements at issue in this proceeding represent a modest change over those provided in the UPU Acts, and will likely have little effect on either TNT Post, CPG, or U.S. recipients (factor 3).

Both senders and recipients typically esteem Letter Post as an economical and reliable option for personal and business correspondence. Therefore, it may be assumed that inbound Letter Post sent by mailers in foreign countries is of high relative value to the people and that it may tend to contain items with high educational, cultural, scientific, and informational value (factors 8 and 11). Alternatives to inbound Letter Post from the foreign countries are available at reasonable cost in the form of electronic, telephone, and facsimile communication, as well as Extraterritorial Offices of Exchange (ETOEs) and international mail consolidators for bulk Letter Post and package delivery providers for heavier-weight Letter Post items (factor 4).

Adding Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators to the market-dominant products list will promote simplicity in the MCS's structure (factor 6). The proposed classification language features simple, direct language that describes inbound Letter Post, which is provided in accordance with detailed Convention and Letter Post Regulations provisions in UPU Acts.

If the Commission adds Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators to the products list and permits the rates of the two functionally equivalent agreements to be implemented, it will be affirming the Postal Service's exercise of its pricing flexibility (objective 4 and factor 7) and reducing administrative burden that might impede the flow of inbound mail tendered by foreign postal operators (objective 6). Transparency is also enhanced through the Postal Service's submission of redacted portions of these instruments, along with the product description in the classification language through this filing, and through the annual compliance reporting process (objective 6). Finally, classification by the Commission would enable the establishment of rates that are considered to be just and reasonable by both the Postal Service and the counterparty foreign postal operator (objective 8).

(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.

Not applicable. The Postal Service is proposing to add the Agreement to the market dominant products list.

(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.

Not applicable. The Postal Service is proposing to add the Agreement to the market dominant products list.

(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.*

The Private Express Statutes generally prohibit entities other than the Postal Service from carrying inbound letters weighing less than 12.5 ounces, unless postage has been paid or the carriage falls under certain exceptional circumstances. Therefore, a portion of the inbound Letter Post that is a subject of the two agreements at issue here is subject to the so-called "letter monopoly" up to the weight threshold, and to the extent that a private entity would not carry the items under exceptional circumstances provided in the Private Express Statutes (*e.g.*, for at least six times the current price of a one-ounce First-Class letter, or within the prescribed time guidelines for "extremely urgent" delivery, or as a special messenger).

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

Due to the fact that the Postal Service and foreign postal operators serve as their respective countries' designated operators to provide universal Letter Post service under the Universal Postal Convention, there are few alternatives for sending and receiving inbound single-piece Letter Post, particularly for lightweight letters, from foreign countries to the United States at reasonable costs. It should be noted, however, that electronic, telephone, and facsimile communication represent low-priced alternatives for the type of business and personal correspondence typically transmitted through Letter Post. In addition, other postal operators or consolidators compete in cross-border letter markets for bulk mail delivery. Further, liberalization in the European Union has opened the letter market to competition in the Netherlands. The comprehensive, strategic bilateral Letter Post agreements here, however, to a large extent pertain to single-piece, universal service traffic, which is generally only provided by postal operators designated by their countries' governments, though bulk mail products are also addressed.

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

The counter-parties to Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators, such as TNT and CPG, are foreign postal operators that desire to tender inbound mail volume to the Postal Service under the terms and conditions negotiated with the Postal Service. The Postal Service has concluded similar types of bilateral agreements with Canada Post. This indicates that foreign postal operators, as well as their mailing customers, find the type of arrangement that these agreements represent to be invaluable for preserving and enhancing mail services for inbound letter items sent to the United States. However, no specific data are available to the Postal Service on foreign postal operators' or their mailing customers' views regarding the regulatory classification of this type of agreement.

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

Addition of Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators will likely have little, if any, adverse impact upon small business concerns. By offering the rates in these agreements, the Postal Service is continuing to provide foreign postal operators affordable, reliable options for mailing letters and merchandise to the United States. As described in response to Part (f) above, there is little direct private competition for inbound single-piece Letter Post, and so classification of the agreement will not have significant impact on small business competitors. The Postal Service is unaware of any small business concerns that offer competing services for end-to-end delivery of both bulk and single-piece, non-expedited Letter Post items on a comprehensive basis. Thus, the net impact on small businesses is positive, because of the absence of negative impact on any small business competitors and the positive impact on small businesses served by foreign postal operators and the Postal Service.

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

In its 2009 Annual Compliance Determination, the Commission offered the following observations about the cost coverage of inbound Letter Post:

> Pursuant to the UPU agreement, the Postal Service (or any postal administration) may opt out of UPU terminal dues rates by negotiating bilateral (or multilateral) rate agreements with other countries for some or all of its inbound letter post. The Postal Service acknowledges this alternative to UPU established rates and, accordingly, is "examining the merits of… [negotiating] bilateral agreements for some of the largest…[inbound volumes] in the coming calendar year." 2009 ACR at 25. *The Commission recommends that the Postal Service pursue this alternative. Such negotiations should seek to achieve compensatory terminal dues rates and thereby improve the cost coverage for Inbound First-Class Mail International.*[9]

The two agreements presented here respond to the Commission's suggestion that the Postal Service "seek to achieve" cost coverage improvement on inbound terminal dues through the use of negotiated service agreements with foreign postal operators. These agreements represent an important first step, not only for Postal Service management

[9] Postal Regulatory Commission, Annual Compliance Determination 2009, Docket No. ACR2009, March 29, 2010, at 110 (ellipses and bracketed insertions in original).

in moving towards a contractual model in lieu of relying on the rather lengthy, political processes for rate-setting through the UPU Acts, but also for the two postal operators here, which have not negotiated rates with the Postal Service for Letter Post in the recent past. The Postal Service shares the Commission's desire to achieve cost-covering rates for inbound Letter Post, but cautions that incremental and phased-in progress towards achieving full cost coverage is optimal from both business and practical perspectives; otherwise, it is unlikely that either the Postal Service or the counter-party foreign postal operators would enter into agreements that depart in any meaningful way from the status quo default rates under the UPU Acts.

The Postal Service is also mindful of the following considerations in proceeding in a phased-in approach with negotiated inbound market-dominant Letter Post rates. Specifically, the Postal Service notes that as a result of reciprocity in rate increases under bilateral agreements, it is equally important to consider the views of U.S. mailers who wish to avoid sudden, significant cost increases on outbound international mail. Based on input received from the Postal Service's business customers, Postal Service management believes that an immediate rate increase of the magnitude needed to achieve full cost-covering inbound revenues would have a negative impact on U.S. mailers, both consumers and businesses, who desire affordable rates for international letters for social and business purposes.

The Postal Service understands that inbound Letter Post is treated as a separate product under the classification schedule and is therefore employing a two-pronged strategy to improve cost coverage on inbound products. In the short term, the Postal Service is working towards improved cost coverage through the signing of comprehensive bilateral agreements with major partners for Letter Post, parcel, and expedited mail services. This short-term approach helps to improve inbound cost coverage and avoids drastic and sudden increases for both parties which would have a negative impact on consumers and business customers in both directions. The second, longer-term strategy requires significantly more time. As the United States is just one of 191 signatories to the UPU Convention, improving the terminal dues system in the UPU requires time, much coordination, and significant compromise between Industrialized and Developing countries. Some developing countries' terminal dues rates are artificially low due to government subsidies, and those countries' postal operators cannot afford to pay much higher rates. Since developing countries consist of approximately 80 percent of the voting membership within the UPU, they would be expected to vote against the significant rate increases that would be required to cover inbound Letter Post costs. Nevertheless, the Postal Service intends to continue to serve in U.S. delegations to the UPU and to work pro-actively with the Commission to promote a terminal dues system at the 2012 UPU Doha Congress in that will show movement towards the long-term objective of better cost coverage and pricing that reflects the full spectrum of Letter Post services.

STRATEGIC BILATERAL AGREEMENT

between

United States Postal Service

referred to as "USPS"

and

Koninklijke TNT Post B.V.

and

TNT Post Pakketservice Benelux B.V.

hereinafter jointly referred to as "TNT Post"

TNT POST – UNITED STATES POSTAL SERVICE STRATEGIC BILATERAL AGREEMENT

This Agreement is between the United States Postal Service ("USPS"), an independent establishment of the executive branch of the Government of the United States, and TNT Post, a company registered in the Netherlands with a registered office at Amsterdam. The USPS and TNT Post 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 Parties will provide each other certain products and/or services 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 and/or non-objection by 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 U.S. Postal Regulatory Commission. Accordingly, TNT Post acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Article 3 and 4 shall apply;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement as well as the terms of Article 4 of this Agreement entitled "Conditions Precedent";

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

Article 1: Purpose of the Agreement

The purposes of this Agreement are the following:

1 to foster the maintenance and further development of a mutually beneficial relationship on behalf of the Parties' respective customers;

2 to set out the principles and general terms and conditions that shall apply to the exchange of certain international products and services between the Parties; and

3 to set out the rates that will apply to that exchange of certain international products and services between the Parties.

Article 2: Guiding Principles of the Agreement

1 The Parties agree to work together to improve the quality of postal services between TNT Post and the United States in order to better serve the market. In particular, the Parties agree to provide access to each other's operating networks and services in such a way that for each service provided:

- (i) excellence in quality of service performance will be attained and maintained;
- (ii) the flexibility required to meet changing market and logistical conditions will be supported;
- (iii) the costs to each Party of providing services will be minimized; and
- (iv) settlement and payment processes will be electronically-based to the extent practicable, with the objective being to make such processes efficient, timely, and specific to each particular service or type of service.

2 In addition to the level of cooperation specifically outlined in this Agreement, the Parties intend to collaborate further on product development, enhancements to current products, and specified value-added services required to meet the ever-evolving needs of their customers.

Article 3: Oversight and Effective Date

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in Article 4 below. Upon execution of this Agreement, the USPS shall seek such approval. This Agreement shall come into effect upon all such approvals having been obtained by the USPS and notification to TNT Post by the USPS that all such approvals have been obtained, and the date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by TNT Post in a return communication, in which case that alternative date shall be the Effective Date. The Agreement will remain in effect from the Effective Date until terminated pursuant to Article 8.

Article 4: Conditions Precedent

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

Article 5: Limitation on Liability and Costs

In the event that the Conditions Precedent are not fulfilled, the USPS and TNT Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by TNT Post 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, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Article 6: Price Changes; No Effect on Service Terms

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, any adjustments to the rates for the services shall be subject to the terms and conditions set forth in Attachment 1.

Article 7: Monetary Transactions

1. Each Party will bear the costs and retain the revenues for any work performed by itself and by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

Article 8: Termination

Either Party may terminate this Agreement without cause upon 90 days advance written notice to the other Party. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. In the event of termination, the Parties shall revert to the default rates applicable under the Universal Postal Union Convention effective at the time of such termination, and neither Party shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason.

Article 9: Dispute Resolution

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.

2. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree to refer that controversy to mediation, which shall consist of an informal, nonbinding conference or conferences between the Parties and the mediator, which shall perform mediation responsibilities in the English language. The mediator will be selected as mutually agreed by the Parties.

3. With the exception of controversies concerning cost or revenue liability, mediation will provide the sole means for addressing controversies related to this Agreement. If mediation does not resolve such a controversy, the Parties may exercise their right to terminate.

4. For controversies related to cost or revenue liability, TNT Post and the USPS will first refer the matter to mediation as discussed in the above paragraph. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia. The parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia and waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the Parties.

5. Notwithstanding the provisions of this Article, and without prejudice to Article 11.1, in the event of conflict or inconsistency between the provisions of this Article and Article 11.1, the provisions of Article 11.1 shall prevail.

Article 10: Construction

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

Article 11: Indemnification and Liability

1. The Parties acknowledge that aspects of liability or indemnification (including, but not limited to registered mail and air parcels) not expressly governed by this Agreement or its regulations are subject to the appropriate provisions of the Acts of the Universal Postal Union or the EPG agreement.

2. Except for liability and indemnification as described in the above paragraph and final settlement under Article 8, no Party to this Agreement shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, including, but not limited to, breach of any term of this Agreement or negligence.

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

Article 12: Language

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

Article 13: Confidentiality Requirements

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. TNT Post will treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission.

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

Article 14: Severability

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

Article 15: Notices

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

To the USPS:

Executive Director, International Postal Affairs
United States Postal Service
475 L'Enfant Plaza SW, Room 1P906
Washington, DC 20260-0906
UNITED STATES OF AMERICA
Lea.Emerson@usps.gov

To TNT Post:

TNT Post International Mail
Director International Relations
Mr Jan Sertons
PO Box 30259
2500 GG DEN HAAG
THE NETHERLANDS
jan.sertons@tntpost.nl

Article 16: 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 of invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

Article 17: Legal Status of this Agreement

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

Article 18: Amendment

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

Article 19: Assignment

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

Article 20: Applicability of Other Laws

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. § 601 et seq.).

2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.

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

Article 21: Entire Agreement

1. This Agreement shall constitute the entire agreement between the Parties concerning the exchange of international mail described herein. Except as otherwise indicated in this agreement, any prior agreement, understanding, or representation of any kind preceding the date of this Agreement shall not be binding upon either Party.

2. The Parties shall be bound by their commitments under the E-Parcel Group Agreement for the Delivery of Day-Certain Cross-Border Parcels–Core Agreement and Sub-

Agreement B to the Agreement for the Delivery of Day-Certain Cross-Border Parcels (collectively, "EPG Agreements"), if applicable, but only to the extent consistent with this agreement. In particular, rates and penalties established under the EPG Agreements shall not apply to mail tendered under this Agreement. In the event of any inconsistency between this Agreement and a commitment under the EPG Agreements, then this Agreement shall prevail over any such inconsistent terms.

3. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations apply except to the extent inconsistent with this Agreement. In particular, Quality of Service bonuses established or permitted under the Universal Postal Convention and applicable regulations shall not apply to mail tendered under this Agreement.

Article 22: Term

The USPS will notify TNT Post 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. USPS shall have no obligation to notify TNT Post of the status of the approval process or of potential fulfillment of the approval process. The Agreement will remain in effect for two years after the Effective Date unless terminated sooner pursuant to Article 8. Upon the expiration of this two-year period, the Agreement shall be automatically renewed unless the Parties agree otherwise or either Party advises the other Party that it is unable to continue the Agreement for any reason.

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

TNT Post	United States Postal Service
Harry Koorstra Group Managing Director Mail	Pranab Shah Managing Director, Global Business, and Vice President
16-07-2010 Date	July 22, 2010 Date

Attachment 1

Terminal dues rates listed in the tables included below are product stream rates per item and per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. The rates are set on the conditions that current work-sharing arrangements are substantially maintained. Any changes to current work-sharing (i.e. sortation and preparation) arrangements will be subject to negotiations and mutual written agreement, including, but not limited to, agreement as to any impact on pricing.

Period 1 is until September 30, 2011 and Period 2 is from October 1, 2011 until September 30, 2012.

Additionally, each Party is encouraged, but not required, to consider offering to the other Party incentives for optional activities, such as sortation or separation changes.

Rates					
The Netherlands to USA					
Stream	**Service Description**	**Proposed Settlement Charges Period 1 (SDR/Piece)**	**Proposed Settlement Charges Period 1 (SDR/Kg)**	**Proposed Settlement Charges Period 2 (SDR/Piece)**	**Proposed Settlement Charges Period 2 (SDR/Kg)**
A,UL,IL-P	PRIORITY LETTER TRAY	[redacted]			
A,UL,IL-G	PRIORITY FLAT TRAY				
A,UN,BG	PRIORITY BAG				
A,UN,PC or CN	PRIORITY BULK CONTAINER				
A,UZ,BG	PRIORITY IPA				
A,UR,BG	PRIORITY REGISTERED MAIL BAG				
B,UL,IL-P	SAL LETTER TRAY				
B,UL,IL-G	SAL FLAT TRAY				
B,UN,BG	SAL BAG				
B,UN,PC or CN	SAL BULK CONTAINER				
B,UM,BG	SAL M-BAG				
C, UN, BG	SURFACE BAG				
C, UM, BG	SURFACE M-BAG				
C,UN,PC	SURFACE BULK CONTAINER				
C,UL,IL	SURFACE LETTER TRAY				
A,EM,BG	EMS				
A,CE,BG	Air Parcels**				
C,CN,BG	Surface Parcels				
TBD	Global Confirmation Under 2 lbs				
TBD	Global Confirmation Over 2 lbs				
USA to The Netherlands					
Stream	**Service Description**	**Period 1 Proposed Settlement Charges (SDR/Piece)**	**Period 1 Proposed Settlement Charges (SDR/Kg)**	**Period 2 Proposed Settlement Charges (SDR/Piece)**	**Period 2 Proposed Settlement Charges (SDR/Kg)**
A,UL,IL-P non-IPA	Priority Letter Tray non-IPA	[redacted]			
A,UL,IL-G- non-IPA	Priority Flat Tray- non-IPA				
A,UN,BG- non-IPA	Priority Bag non-IPA				
A,UZ,PU or GU or BG	IPA - Letters, Flats, Packets				
A,UM,BG-non-IPA and IPA	Priority M-Bag				

A,UR,BG	Priority Registered Mail Bag	[redacted]
B,UA,BG	ISAL	
B,UM,BG	SAL M-Bag	
C,UA,CN	Surface Receptacle	
A,ED,BG and A,EM,BG	Express Mail Service**	
A,CE,CN or BG	Air Parcels**	
TBD	Global Confirmation Under 2 lbs	
TBD	Global Confirmation Over 2 lbs	

Performance level threshold

Netherlands to USA	Late delivery	Late information transmission	Missing delivery information
Air parcels	[redacted]		
Express Mail Service			
USA to Netherlands			
Air parcels			
Express Mail Service			

For items above the performance level threshold, the rate will be reduced by [redacted]

* Rates for letter post streams listed above incorporate provisional 2010 quality linked rates, but are subject to adjustment at year end settlement based on the final rates for each calendar year.

[redacted]

Specifications of Mail Product Categories and Formats

The rates for the stream categories above shall be based upon the following format and product definitions:

Letters

Any piece which has:
- a length less than or equal to 292 mm (11 1/2 inches) and
- a width less then or equal to 155 mm (6 1/8 inches) and
- a thickness equal to or less than 6 mm (1/4 inch)
- and which has a weight of less than or equal to 2 kilograms

Flats

Any piece exceeding any maximum limit for a Letter and which has:
- a length less than or equal to 381 mm (15 inches) and
- a width less than or equal to 292 mm (11 1/2 inches) and
- a thickness less than or equal to 20 mm (3/4 inch)
- and which has a weight of less than or equal to 2 kilograms

Packets

Any piece exceeding any of the maximum size limits for a Flat, but within the maximum size limits as set forth in the Universal Postal Union Letter Post Regulations Article RL 122 and which has a weight of less than or equal to 2 kilograms

M-Bags

Printed matter in a direct sack to a single foreign address, subject to the Reservations of the United States of America in Universal Postal Union Protocol Article RL II and V, which has a weight less than or equal to 31.5 kilograms

Registered Mail

Any piece that meets the size and weight dimensions of Letters, Flats, or Packets and bears a Registered label on the mail piece

Parcels

Any piece corresponding to size limits as set forth in the Universal Postal Union Parcel Post Regulations Article RC 115 and which has a weight of less than or equal to 31.5 kilograms

Express Mail Service (EMS)

"EMS items" means mail items as defined by Article 14 of the Universal Postal Union Convention (Geneva 2008). An EMS item may contain documents or merchandise or both.

Global Confirmation

Global Confirmation may be offered upon further development by the U.S. Postal Service and TNT Post. As currently envisioned, this service would offer delivery scanning for Letter Post items that exceed the maximum size limits for a Letter, and delivery scanning in lieu of signature for Parcels. This agreement may be modified to contain the specifications and rates for Global Confirmation in advance of its implementation.

CHINA POST GROUP – UNITED STATES POSTAL SERVICE LETTER POST BILATERAL AGREEMENT

This Agreement ("Agreement") is between the United States Postal Service ("USPS"), an independent establishment of the Executive Branch of the Government of the United States with offices at 475 L'Enfant Plaza SW, Washington, DC 20260, and China Post Group ("China Post"), the postal operator in the People's Republic of China, organized and existing under the laws of the People's Republic of China, and having a place of business at No. 131 West Avenue, Xuanwumen, Xicheng District, 100808, Beijing, China. The USPS and China Post 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 Parties will provide each other certain products and/or services 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 and/or non-objection by 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 U.S. Postal Regulatory Commission. Accordingly, China Post acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Article 2 and 3 shall apply;

WHEREAS, in light of the aforementioned acknowledgements, the Parties desire to be bound by the terms of this Agreement as well as the terms of Article 3 of this Agreement entitled "Conditions Precedent";

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

Article 1: Purpose of the Agreement

The purposes of this Agreement are the following:

1. To develop new bilateral rates for existing letter class products as specified in Annex 1; and

2. To develop a new letter class product for small lightweight packets two kilograms or less that offer delivery scanning as specified in Annex 2.

Article 2: Oversight and Effective Date

The terms and pricing set forth under this Agreement require the approval from various entities that have oversight responsibilities for the USPS as set out in Article 3below. Upon execution of this Agreement, the USPS shall seek such approval. This Agreement shall come into effect upon all such approvals having been obtained by USPS and notification to China Post by USPS that all such approvals have been obtained, and the date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by China Post in a return communication, in which case that alternative date shall be the Effective Date. The Agreement will remain in effect from the Effective Date until terminated pursuant to Article 8.

Article 3: Conditions Precedent

The Parties acknowledge and understand that all obligations of the USPS under this Agreement shall be contingent on the USPS receiving approvals from, and/or non-objection by (hereinafter "Conditions Precedent") one or more internal and external bodies that have oversight responsibilities. Conditions Precedent may include but are not limited to: approvals or, if applicable, non-objection, from USPS management, the USPS executive committee, the

Governors of the USPS, and the U.S. Postal Regulatory Commission. The Parties acknowledge that the Agreement might not be approved by such bodies. Until such time that all Conditions Precedent are fulfilled that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or China Post and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs and upon such occurrence the Conditions Precedent shall have been fulfilled.

Article 4: Limitation on Liability and Costs

In the event that the Conditions Precedent are not fulfilled, the USPS and China Post shall have no liability, which shall include no obligation to pay costs associated with any action taken by China Post prior to the Effective Date of the Agreement. Further, in the event of termination of the Agreement or the failure of any Condition Precedent, neither Party shall be held liable for any damages including, without limitation, the following: actual damages; special damages; indirect damages; incidental damages; punitive damages; consequential damages; or any other damages, which shall include but not be limited to damages for loss of business profits; business interruption; any other loss; and/or any cost incurred by either Party attributable to such non-approval such as attorney's fees.

Article 5: Price Changes; No Effect on Service Terms

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, any adjustments to the rates for the services shall be subject to the terms and conditions set forth in the Attachments or Annexes.

Article 6: Monetary Transactions

1. Each Party will bear the costs and retain the revenues for any work performed by itself and by agents or contractors on its behalf, unless the Parties agree to other arrangements to allocate costs or revenues and those arrangements are incorporated in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

Article 7: Customs Inspection

USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, China Post understands that all contents of any item, including items that are treated as sealed mail under USPS regulations, are subject to inbound search and inspection by U.S. Customs & Border Protection, regardless of when the USPS elects to conduct verification and acceptance of any inbound items.

Article 8: Termination

1. Either Party may terminate this Agreement without cause upon 30 days advance written notice to be served on the other Party, with such termination effective as of the end of the calendar month in which the 30-day notice period expires. The right to terminate the Agreement for good cause remains unaffected.

2. In the event of termination of the Agreement under this Article, the Parties shall be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party shall bear its own costs in the event of termination. All further rights and remedies shall remain unaffected.

3. In the event of termination, and as of the effective date of termination, the Parties shall revert to the default rates applicable under the Universal Postal Union Convention effective at the time of such termination, and neither Party shall be liable to the other for any damages including, without limitation, actual, special, indirect, incidental, punitive,

consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason incurred as a result to the change of rates after termination.

Article 9: Dispute Resolution

1. The Parties intend to resolve all controversies under this Agreement informally through correspondence, oral communications, and informal meetings.

2. If the method described in the above paragraph proves insufficient to resolve a controversy, the Parties agree that the signatories to this agreement, or their replacement, shall be given a written description of the controversy by each Party and a suggested outcome. They will review the information provided and shall attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.

3. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree to refer that controversy to mediation, which shall consist of an informal, nonbinding conference or conferences between the Parties and the mediator, which shall perform mediation responsibilities in the English language. The mediator will be selected as mutually agreed by the Parties.

4. With the exception of controversies concerning cost or revenue liability, mediation will provide the sole means for addressing controversies related to this Agreement. If mediation does not resolve such a controversy, the parties may exercise their right to terminate.

5. For controversies related to cost or revenue liability, China Post and the USPS will first refer the matter to mediation as discussed in the above paragraph. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained only in the United States District Court for the District of Columbia. The parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia and waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the Parties.

6. Notwithstanding the provisions of this Article 9, and without prejudice to Article 11, paragraph 1, in the event of conflict or inconsistency between the provisions of this Article 9 and Article 11, paragraph 1, the provisions of Article 11, paragraph 1 shall prevail.

Article 10: Construction

Except as otherwise provided in this Agreement, this Agreement shall be governed by and construed in accordance with U.S. Federal law.

Article 11: Indemnification and Liability

1. The Parties acknowledge that aspects of liability or indemnification (including, but not limited to registered mail and air parcels) not expressly governed by this Agreement or its regulations are subject to the appropriate provisions of the Acts of the Universal Postal Union and any reservations the Parties have taken to those instruments.

2. In the event that an entity not party to this Agreement asserts claims against China Post or USPS that are attributable to the actions of the other Party to this Agreement, the latter Party shall indemnify the defending Party for, and hold the defending Party harmless from, any losses, damages or liabilities suffered by the defending Party as a result. In that instance, the indemnifying Party shall also reimburse the defending Party for all reasonable expenses incurred in connection with investigating, preparing for, or defending any such claim, whether in an administrative, regulatory or judicial proceeding, and whether or not the indemnified Party is named in the proceeding.

3. Except for liability and indemnification as described in Article 11, paragraph 1, and final settlement under Article 8, no Party to this Agreement shall be liable to the others for any damages including, without limitation, actual, special, indirect, incidental, punitive, consequential or any other damages (including, without limitation, damages for loss of business profits, business interruption or any other loss) for any reason, including, but not limited to, breach of any term of this Agreement or negligence, unless required by applicable mandatory law.

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

Article 12: Language

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

Article 13: Confidentiality Requirements

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. China Post will treat as confidential and not disclose to third parties, absent express written consent by the USPS, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission.

2. China Post acknowledges that United States law may require that this agreement be filed with the U.S. Postal Regulatory Commission (Commission) and the U.S. Department of State. China Post authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. China Post further understands that any unredacted portion of this document may be posted on the Commission's public website, www.prc.gov. China Post 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 Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. At China Post's request, the U.S. Postal Service will notify China Post of the docket number of the Commission proceeding, if any, used in connection with this agreement.

Article 14: Severability

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

Article 15: Notices

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

To the USPS:

General Manager, Global Business Solutions
United States Postal Service
475 L'Enfant Plaza SW, Room 1140
Washington, DC 20260-1140
Kang.zhang@usps.gov

To China Post:
Department of International Cooperation
China Post Group
131 Xuanwumen West Street, Xi Cheng District
Beijing,100808,China

Article 16: 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 of invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

Article 17: Legal Status of this Agreement

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

Article 18: Amendment

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

Article 19: Assignment

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

Article 20: Applicability of Other Laws

1. The Parties acknowledge that this Agreement does not involve the USPS's acquisition of property or services and is not subject to the Contract Disputes Act (41 U.S.C. §§ 601 et seq.).

2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.

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

Article 21: Entire Agreement

1. This Agreement shall constitute the entire agreement between the Parties concerning the exchange of international mail described herein. Except as otherwise indicated in this agreement, any prior agreement, understanding, or representation of any kind pertaining to the subject matter of this Agreement and preceding the date of this Agreement shall not be binding upon either Party.

2. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations apply except to the extent inconsistent with this Agreement.

Article 22: Term

The USPS will notify China Post 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. USPS shall have no obligation to notify China Post of the status of the approval process or of potential fulfillment of the approval process. The Agreement will remain in effect for one year after the Effective Date unless terminated sooner pursuant to Article 8. Upon the expiration of this one-year period, the Agreement shall be re-evaluated by both Parties on whether to extend or modify the Agreement.

Article 23: Intellectual Property, Co-Branding, and Licensing

The Parties acknowledge that in the service of improving existing international products or developing new international products under this Agreement that such products may be enhanced through the use of co-branding or the use of each Party's trademarks, logos or intellectual property. In such instances, the Parties acknowledge and agree that any use shall be subject to separate written agreements. The Parties acknowledge and agree that neither Party shall use the other Party's trademarks, logos or intellectual property until such time that a license for each specific such use has been executed by the Parties and all laws and regulations required for such license's effectiveness have been perfected, which shall include but not be limited to any recordation requirements.

Article 24: Survival

The provisions of Articles 4, 8, 9, 10, 11, 12, 13, 14, 15, 21, 22, and 23 shall survive the conclusion or termination of this agreement, as well as any other terms insofar as they apply to the Parties' continuing obligations to one another under the articles listed above.

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

China Post	United States Postal Service
李國華	Pmshah
Li Guohua Vice President of China Post Group	Pranab Shah Managing Director, Global Business, and Vice President
2010.6.11	JUNE 25, 2010
Date	Date

Annex 1: Letter Post Settlement Rates

Rates

The rates below shall be in effect for the term of this Agreement, as set forth in Article 22. Changes in rates during the term of this Agreement will be negotiated and agreed to in accordance with Article 18.

Settlement rates listed in the tables included below are product stream rates per kilogram stated in Special Drawing Rights (SDRs) unless noted otherwise. The rates are set on the conditions that current work-sharing arrangements are substantially maintained. Any changes to current specifications (i.e., sortation and preparation) must be agreed to in writing by both parties as provided in Article 18 of this Agreement.

Rates 1/		
China to USA		
Stream	**Service Description**	**Proposed Settlement Charges (SDR/Kg)**
A,UD,BG	SMALL PACKET WITH DELIVERY SCANNING	[redacted]
A,UL,IL-P	PRIORITY LETTER TRAY	[redacted]
A,UL,IL-G	PRIORITY FLAT TRAY	[redacted]
A,UN,BG	PRIORITY BAG	[redacted]
A,UN,PC or CN	PRIORITY BULK CONTAINER	[redacted]
A,UZ,BG	PRIORITY IPA	[redacted]
A,UR,BG	PRIORITY REGISTERED MAIL BAG	[redacted]
B,UL,IL-P	SAL LETTER TRAY	[redacted]
B,UL,IL-G	SAL FLAT TRAY	[redacted]
B,UN,BG	SAL BAG	[redacted]
B,UN,PC or CN	SAL BULK CONTAINER	[redacted]
C, UN, BG	SURFACE BAG	[redacted]
C,UN,PC	SURFACE BULK CONTAINER	[redacted]
C,UL,IL	SURFACE LETTER TRAY	[redacted]
USA to China		
Stream	**Service Description**	**Proposed Settlement Charges (SDR/Kg)**
A,UD,BG	Small Packet With Delivery Scanning	[redacted]
A,UL,IL-P non-IPA	Priority Letter Tray non-IPA	[redacted]
A,UL,IL-G- non-IPA	Priority Flat Tray- non-IPA	[redacted]
A,UN,BG- non-IPA	Priority Bag non-IPA	[redacted]
A,UZ,PU or GU or BG	IPA - Letters, Flats, Packets	[redacted]
A,UR,BG	Priority Registered Mail Bag	[redacted]
B,UA,BG	ISAL	[redacted]
C,UA,CN	Surface Receptacle	[redacted]

1/ Quality of service for terminal dues shall not increase any rates established above.

* Rates listed above incorporate provisional 2010 quality linked rates, but are subject to adjustment at year end settlement based on the final rates for each calendar year.

[redacted]

Specifications of Mail Product Categories and Formats

The rates for the stream categories above shall be based upon the following format and product definitions:

Letters

Any piece which has:
- a length less than or equal to 292 mm (11 1/2 inches) and
- a width less then or equal to 155 mm (6 1/8 inches) and
- a thickness equal to or less than 6 mm (1/4 inch)
- and which has a weight of less than or equal to 2 kilograms

Flats

Any piece exceeding any maximum limit for a Letter and which has:
- a length less than or equal to 381 mm (15 inches) and
- a width less than or equal to 292 mm (11 1/2 inches) and
- a thickness less than or equal to 20 mm (3/4 inch)
- and which has a weight of less than or equal to 2 kilograms

Packets

Any piece exceeding any of the maximum size limits for a Flat, but within the maximum size limits as set forth in the Universal Postal Union Letter Post Regulations Article RL 122 and which has a weight of less than or equal to 2 kilograms

Registered Mail

Any piece that meets the size and weight dimensions of Letters, Flats, or Packets and bears a Registered label on the mail piece

Annex 2 – Small Packets with Delivery Scanning

Package Specific Preparation Requirements

a. **Package Dimensions and Weight**. Each package shipped under this agreement must conform to the size and weight limitations specified in the UPU Letter Post Manual or as bilaterally agreed. Specifically, each package shall not exceed 2 kilograms in weight or limits of size specified in UPU Article RL 122.

b. **Package Contents.** Packages shall conform to the importation restrictions of the United States as set forth in the *Mailing Standards of the United States Postal Service*, International Mail Manual, section 710 ("Treatment of Inbound Mail"), which can be accessed online at http://pe.usps.com/text/imm/immc7_001.htm; and in accordance with the United States country listing in the Universal Postal Union's List of Prohibited Items, which can be accessed at the Universal Postal Union website at http://www.upu.int/customs/en/country_list_en.pdf. Packages should also conform to USPS's regulations on Mailable Dangerous Goods as set forth in IMM section 135, which can be accessed online at http://pe.usps.com/text/imm/immc1_013.htm. USPS shall not be responsible for the contents or customs status of any packages imported under this Agreement. For packages seized or disposed of by U.S. Customs and Border Protection and not released, the sending post will not be charged postage for those packages. For packages detained but eventually released, applicable postage will apply. The sending post agrees to communicate these requirements to shippers as a condition of shipment.

c. **Package Labeling**. The bilaterally agreed upon, co-designed label will be displayed on the outside of each small packet with delivery scanning. In addition, each item will display a completed and accurate customs declaration. The sample label is presented in Annex 3.

Receptacle Preparation Requirements

1. **Separation from other products.** The Small Packet with Delivery Scanning product that is described in this Agreement will be sorted in receptacles separate from other mail pieces. Other international products, including, but not limited to, other Letter Post products, Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in receptacles containing Small Packet with Delivery Scanning items.

2. **Receptacle Identification**. Each receptacle will contain a 29-character UPU barcode containing the bilaterally agreed-upon mail subclass code.

3. **Receptacle Routing**. To expedite the processing and delivery of these packages, the sending post may present receptacles to corresponding Offices of Exchange (OEs) per the routings outlined in Annex 5.

Dispatch Preparation Requirements

1. **Separation from other products.** The Small Packet with Delivery Scanning product that is described in this Agreement will be dispatched separately from other mail pieces. Other international products, including but, not limited to, other Letter Post products, Express Mail Service (EMS), Air Parcels (Air CP), and direct entry packages, may not be commingled in dispatches containing Small Packet with Delivery Scanning items.

2. **Dispatch Identification**. Each dispatch will contain the bilaterally agreed-upon mail subclass code and unique dispatch numbers, which shall not repeat within any settlement period.

3. **Dispatch Manifesting**. Each dispatch will be manifested using the existing PREDES messages, whereby the number of receptacles and the total weight and number of pieces contained in each receptacle will be transmitted as accurately and timely as possible.

Financial Requirements

Upon launching the Small Packet with Delivery Scanning, USPS and China Post shall settle these volumes, and other Letter Post volumes in accordance with current Letter Post settlement procedures. However, Small Packet with Delivery Scanning volumes will be identified and segregated from other Letter Post volume through the assignment of the "UD" mail subclass. At the end of the settlement period, the corresponding rate, as determined in this agreement, shall be applied to the corresponding Letter Post volume, as identified by the mail subclass. China Post agrees to generate unique dispatch numbers throughout the course of the settlement period.

In the interim, USPS and China Post shall establish a working group to jointly develop and finalize the monthly invoicing and quarterly settlement procedures. The joint development of the quarterly settlement process will ensure each party's accounting and operational processes are taken into consideration and utilized in the future settlement process.

Return Service, Customer Inquiries and Compensation

1. **Return Service**. Return service for undeliverable, refused, or missent packages will be provided consistent with the current procedures for letter-post small packets.

2. **Customer Inquiries**. USPS will not accommodate customer inquiries made by customers in either China or the United States through retail units, customer service hotlines, or other channels for Small Packets with Delivery Scanning.

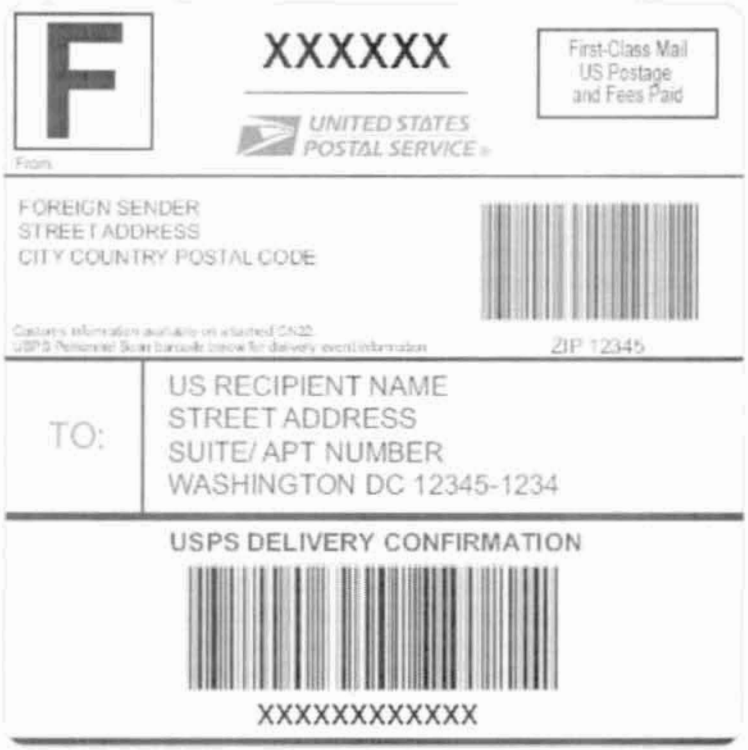
3. **Compensation.** USPS does not offer indemnity or insurance for Small Packages with Delivery Scanning. Accordingly, unless the Parties agree otherwise in a separate written agreement, USPS shall have no such liability.

Service Standards

Small Packets with Delivery Scanning under this Agreement carry no day- or time-specific guarantee. Applicable domestic service standards apply once the packages are cleared through U.S. Customs & Border Protection and entered into the U.S. domestic mailstream.

Annex 3 Co-Designed Label Samples

Below are sample labels for Small Packets with Delivery Scanning.



ANNEX 4 – Detailed Item Content Restrictions

All items mailed under this Agreement must conform to the mailability requirements of the United States Postal Service, as detailed in the International Mail Manual sections 135 and 710; the United States country listing in the Universal Postal Union's List of Prohibited Items; and Domestic Mail Manual section 601. As of the execution date of this Agreement, these materials are available at the following websites, respectively:

http://pe.usps.gov/text/imm/immc1_013.htm

http://pe.usps.com/text/imm/immc7_001.htm

http://www.upu.int/customs/en/country_list_en.pdf

http://pe.usps.gov/text/dmm300/601.htm

ANNEX 5 – Suggested Office of Exchange Routing Details

The following table illustrates the appropriate U.S. point of entry based on the first digit of the destination address postal code. A more detailed table based on the first three digits can be provided upon request.

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

ATTACHMENT 4

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 two instruments, collectively referred to as "the Agreements":

1. the Strategic Bilateral Agreement Between United States Postal Service and Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV (hereinafter "TNT Agreement"); and
2. the China Post Group - United States Postal Service Letter Post Bilateral Agreement (hereinafter "CPG Agreement")

The Agreements and supporting documents establishing compliance are being filed separately under seal with the Commission. Redacted copies of the Agreements are filed with the Request as Attachments 3A and 3B. In addition, redacted versions of the supporting financial documentation are included with this public filing as separate Excel files.

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);

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

The materials designated as non-public consist of information of a commercial nature that would not be publicly disclosed under good business practice. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).[2] Because the portions of the materials that the Postal Service is applying to file only under seal fall within the scope of information not required to be publicly disclosed, the Postal Service asks the 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 the instant Agreements, the Postal Service believes that the only third parties with a proprietary interest in the materials are the foreign postal operators with whom the contracts are made. Through text in the agreement, the Postal Service has already informed the postal operators, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and each operator's ability to address its confidentiality concerns directly with the Commission. 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 two designated Postal Service employees serve as the points of contact for any notices to the relevant

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

postal operators. For the TNT Agreement, the Postal Service identifies as an appropriate contact person Mr. Bruce Marsh, Program Manager, Terminal Dues, International Postal Affairs. Mr. Marsh's phone number is (703) 292-3570, and his email address is bruce.r.marsh@usps.gov. For the CPG Agreement, the Postal Service identifies as an appropriate contact person Mr. Kang Zhang, General Manager, Global Business Solutions. Mr. Zhang's phone number is (202) 268-8918, and his email address is kang.zhang@usps.gov.[3]

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

In connection with its Request filed in this docket, the Postal Service included two Agreements and financial work papers associated with each such agreement. These materials were filed under seal, with redacted copies filed publicly, after notice to the affected postal operators. The Postal Service maintains that the redacted portions of the Agreements and related financial information should remain confidential.

With regard to the Agreements filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as certain negotiated terms. The redactions applied to the financial work papers protect commercially sensitive information such as underlying costs and assumptions, negotiated pricing, and cost coverage projections. To the extent practicable, the Postal

[3] The Postal Service acknowledges that 39 C.F.R. § 3007.21(c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver to designate a Postal Service employee as the contact person under these circumstances, for the reasons provided in the text above.

Service has limited its redactions in the work papers to the actual information it has determined to be exempt from disclosure under 5 U.S.C. § 552(b).

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

If the portions of the Agreements that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. Information about negotiated pricing is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Foreign postal operators could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. Competitors could also use the information to assess the offers made by the Postal Service to foreign postal operators or other customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. This latter concern applies to the extent that the prices in the filed Agreements cover competitive services, prices for which are included in the Agreements filed under seal; market dominant services for which competition exists (*e.g.*, with respect to Letter Post, heavier Letter Post small packets and outbound international items, the prices for which are included in the Agreements filed under seal); and monopoly letters, to the extent that competing providers are not fully cognizant of or compliant with the Private Express Statutes. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial work papers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, projections of variables, and contingency rates included to account for market fluctuations and exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing, in light of statutory, regulatory, or policy constraints. Thus, competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. 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 Agreements or from the information in the work papers whether additional margin for net contribution exists under Agreements' prices. The settlement charges between the Postal Service and TNT or CPG constitute costs underlying the postal services offered to each postal operator's customers, and disclosure of this cost basis would upset the balance of Postal Service negotiations with contract customers by allowing them to negotiate, rightly or wrongly, on the basis of the Postal Service's perceived supplier costs. From this information, each foreign postal operator or customer could also attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even the two foreign postal operators involved in the Agreements at issue in this docket could use the information in the work papers in an attempt to renegotiate the rates in their instruments by threatening to terminate their current Agreements.

Price information in the Agreements and financial spreadsheets also consists of sensitive commercial information of each foreign postal operator. Disclosure of such information could be used by competitors of each postal operator to assess the operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operators would also be exposed to the same risks as the Postal Service in customer negotiations based on the revelation of their supplier costs.

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

Harm: Public disclosure of the prices in the Agreements, as well as any negotiated terms, would provide foreign postal operators or other potential customers extraordinary negotiating power to extract lower rates from the Postal Service.

Hypothetical: CPG or TNT's negotiated prices are disclosed publicly on the Postal Regulatory Commission's website. Another postal operator sees the price and determines that there may be some additional profit margin below the rates provided to either operator. The other postal operator, which was offered rates comparable to those published in CPG or TNT's agreement, then uses the publicly available rate information to insist that it must receive lower rates than those the Postal Service has offered.

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

Hypothetical: A competing delivery service obtains unredacted versions of the financial work papers from the Postal Regulatory Commission's website. It analyzes the work papers to determine what the Postal Service would have to charge its customers in order to comply with business or legal considerations regarding cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its customers below that threshold and markets its purported ability to beat the Postal Service on price for international 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 one or more relevant international delivery markets. Even if the competing providers do not manage wholly to freeze out the Postal Service, they will significantly cut into the revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial workpapers would be used detrimentally by CPG or TNT's competitors.

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

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

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

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

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30.

(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.