Postal Regulatory Commission
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UNITED STATES
POSTAL SERVICE

December 27, 2010

Honorable Shoshana Grove
Secretary
Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, DC 20268-0001

Dear Ms. Grove:

Pursuant to 39 U.S.C. § 407(d)(2), the U.S. Postal Service (Postal Service) is providing a copy of an operational agreement among members of the Kahala Posts Group. The ten members of the Kahala Posts Group have not yet signed the agreement. The Postal Service will file the signatures with the Postal Regulatory Commission once the Postal Service receives them. The Postal Service has marked the non-public versions of the document as "Confidential" and "Non-Public" because the document contains information considered confidential and commercially sensitive by the affected postal operators and the Postal Service.

The Postal Service considers certain portions of the document to be protected by 39 U.S.C. § 410(c)(2) and thereby not subject to mandatory disclosure under the Freedom of Information Act (FOIA). Further, the document contains the commercial information of several postal operators, and as such, certain portions of the instrument are subject to protection under Exemption 4 of the FOIA. Consequently, we have attached an application for non-public treatment of these documents under 39 C.F.R. § 3007.21. In addition, we respectfully request that the Postal Regulatory Commission coordinate with us in the event that the document becomes subject to a FOIA request, so that we can engage in appropriate consultations with the affected postal operators.

Please feel free to contact me if further information would be helpful.

Sincerely,

Anthony F. Alverno
Chief Counsel
Global Business

Enclosure

475 L'ENFANT PLAZA SW
WASHINGTON, DC 20260-1137
WWW.USPS.COM

STRATEGIC SERVICES AGREEMENT 2011

BETWEEN

AUSTRALIAN POSTAL CORPORATION

CHINA POST GROUP

CORREOS Y TELÉGRAFOS SAE

HONGKONG POST

JAPAN POST SERVICE CO.,LTD

KOREA POST

GROUPE LA POSTE

SINGAPORE POST LIMITED

ROYAL MAIL GROUP, LTD

AND

UNITED STATES POSTAL SERVICE

STRATEGIC SERVICES AGREEMENT

BETWEEN

AUSTRALIAN POSTAL CORPORATION
CHINA POST GROUP
CORREOS Y TELÉGRAFOS SAE
HONGKONG POST
JAPAN POST SERVICE CO.,LTD
KOREA POST
GROUPE LA POSTE
SINGAPORE POST LIMITED
ROYAL MAIL GROUP, LTD
AND
UNITED STATES POSTAL SERVICE

DATED the 10 December 2010

RECITALS

WHEREAS, the Australian Postal Corporation, China Post Group, Hongkong Post, Japan Post Service Co., Ltd, Korea Post, and the United States Postal Service ("**the KPG Founding Members**") have entered into the KPG Memorandum of Understanding dated 18 June 2003, as amended 26 December 2005, 7 December 2007, and 15 December 2008, 15 December 2009 whereby they have agreed to work together to improve international postal services, particularly express, packages and logistic services in the Asia-Pacific Rim region under the name KPG; and

WHEREAS, Correos y Telégrafos SAE ("Correos"), Royal Mail Group, Ltd ("Royal Mail"), Groupe La Poste ("La Poste") and Singapore Post Limited ("Singapore Post") have subsequently formally entered into KPG, and have separately entered into and adopted the KPG Memorandum of Understanding; and

WHEREAS, the KPG Memorandum of Understanding provides that undersigned postal administrations have agreed to devote appropriate resources to develop a range of suitable products to meet the prevailing business needs and to achieve the service targets laid down for such products; and

WHEREAS, the KPG Memorandum of Understanding provides that the CEO Board established in accordance with Article 3 of the KPG Memorandum of Understanding (hereinafter "CEO Board") and the Board of Directors established in accordance with Article 4 of the KPG Memorandum of Understanding (hereinafter "Board of Directors") may decide to undertake specific projects to achieve the purposes of the KPG Memorandum of Understanding, and that such projects shall

be the subject of separate agreements containing such terms and conditions as the members of the KPG decide;

THE undersigned postal administrations hereby agree as follows:

OPERATIVE TERMS

1. Purpose

This Strategic Services Agreement **("Agreement"**) establishes specific tasks and activities with respect to the management and operation of KPG, and the Standard (EMS) service and the Economy (Air Parcels) service and other related business initiatives as defined herein for the period commencing on January 1, 2011, and ending on December 31, 2011.

2. Definitions

As used in this Agreement, the following terms mean:

A. Service Objectives—The amount of time, measured in Business Days, for the dispatch, delivery or end-to-end handling of Standard (EMS) and Economy (Air Parcels) items.

B. Target—The goal for successfully meeting the Service Objectives, expressed as a percentage of number of items meeting the Service Objectives compared to the total number of items.

C. Level of Achievement—The actual performance against Target, expressed as a percentage of the number of items meeting the Service Objectives compared to the total number of items.

D. Business Days—Mondays through Fridays except statutory public holidays, except that member postal administrations may designate additional days as Business Days.

E. Critical Acceptance Time—The latest time at which a customer can post a Standard (EMS) item.

F. Critical Entry Time—The latest time at which Standard (EMS) items can be received from other KPG Members.

3. Application of Service Objectives, Targets, and Levels of Achievement for Standard (EMS) Service

A. Each KPG member shall establish a Critical Acceptance Time for the receipt of Standard (EMS) items from customers. Service Objectives, Targets, and Levels of

Achievement for dispatch of Standard (EMS) items shall be measured from the Business Day of receipt of Standard (EMS) items received from customers before the Critical Acceptance Time. Service Objectives, Targets, and Levels of Achievement for dispatch of Standard (EMS) items shall be measured from the next Business Day for items received from customers after the Critical Acceptance Time. Critical Acceptance Times may vary from post code to post code and by office of exchange from which or to which Standard (EMS) items may be dispatched.

B. Each KPG member shall establish a latest Critical Entry Time for the receipt of Standard (EMS) items from other KPG members. Service Objectives, Targets, and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the Business Day of receipt for Standard (EMS) items received from other KPG members before the Critical Entry Time. Service Objectives, Targets and Levels of Achievement for delivery of Standard (EMS) items shall be measured from the next Business Day for Standard (EMS) items received from other KPG members after the Critical Entry Time. Critical Entry Times may vary from post code to post code and by office of exchange at which Standard (EMS) items may be received.

C. When Standard (EMS) items are submitted to customs for clearance, Service Objectives, Targets, and Levels of Achievement for Standard (EMS) items shall be measured [redacted]

4. Standard (EMS) Service Objectives

A. Each KPG member shall provide its Service Objectives for the outbound dispatch (leg 1) and the inbound delivery (leg 3) of Standard (EMS) items exchanged among KPG members to the Board of Directors and the KPG Management Team. These Service Objectives may be amended unilaterally by the member concerned in accordance with agreed policies and standard operating procedures relative to database maintenance and updates.

B. Pursuant to Article 19 of this Agreement, the Management Team shall establish processes, policies and standard operating procedures to efficiently maintain Service Objectives for end-to-end delivery of Standard (EMS) items exchanged among KPG members. The end-to-end Service Objectives shall be based on information supplied by the KPG members.

C. KPG members are responsible for providing knowledgeable and accountable managers to submit updates to Service Objectives with high data integrity. Service Objectives for dispatch and delivery shall be competitive, according to criteria defined by the Board of Directors. It is the responsibility of KPG members to keep the information upon which the end-to-end Service Objectives are based up to date and submit updates to the Service Objectives according to an agreed schedule, policies, and standard operating procedures relative to database maintenance and updates.

5. Target for Dispatch and Delivery of Standard (EMS) Items

Except as otherwise provided in this Article, KPG members agree to maintain the dispatch (leg 1) and delivery (leg 3) of Standard (EMS) items at [redacted] consistent performance and transportation (leg 2) at [redacted] consistent performance.

6. Level of Achievement for Dispatch and Delivery of Standard (EMS) Items

Subject to Article 11 (Force Majeure), each KPG member shall maintain a minimum Level of Achievement in accordance with Article 5 (Target for dispatch and delivery of Standard (EMS) items) of this Agreement. Levels of Achievement for Standard (EMS) items shall be measured [redacted]

7. Target for End-to-End Standard (EMS) Service

The Target for end-to-end delivery of Standard (EMS) items shall be to achieve and maintain [redacted] consistent performance in meeting the end-to-end Service Objectives.

8. Level of Achievement for End-to-End Standard (EMS) Items

Subject to Article 11 (Force Majeure), each KPG member shall maintain a minimum Level of Achievement for end-to-end Standard (EMS) items that is equal to or greater than the Target listed in Article 7 for Standard (EMS) items. Levels of Achievement for end-to-end Standard (EMS) items shall be measured [redacted]

9. Measuring Standard (EMS) Service

A. Each KPG member shall establish, maintain, and operate a track and trace system that conforms to the agreed attributes for measurement systems determined by the Board of Directors.

B. Each KPG member shall ensure defined scan events and agreed other EDI messages are captured, transmitted and comply with specified attributes. Each Post agrees to achieve and consistently maintain a target of [redacted] for all EDI events transmissions.

10. Other Minimum Service Attributes for Standard (EMS) Service

Each KPG member shall provide the following minimum service attributes for Standard (EMS) Service in addition to the Service Objectives, Targets, and Levels of Achievement:

A. Upon application by the mailer, a full refund of postage paid by that mailer in the event of service failure;

B. Proof of delivery consisting of name and signature of person or entity receiving the shipment and associated date of delivery;

C. Scheduled and/or on-demand pick-up service availability until close-of-business Monday through Friday at nominated major metropolitan areas;

D. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;

E. Customer ability to tender traffic at retail counters and receive calculated date of delivery at the time of lodgement;

F. Customer ability to tender traffic at retail counters and receive calculated date of delivery Saturdays and Sundays at the time of lodgement as applicable for each member; and

G. Ability to provide standard service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

11. Force Majeure

A. A KPG member is not liable for failure to perform any of its obligations insofar as it proves:

i. that the failure was due to an impediment beyond its reasonable control; and

ii. that the member could not reasonably be expected to have taken the impediment and its effect upon its ability to perform into account at the time of product launch; and

iii. that it could not have reasonably avoided or overcome such an impediment, or at least its effects.

B An impediment within the meaning above can result from events such as the following, this enumeration not being exhaustive:

i. war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;

ii. natural disasters, such as violent storms, cyclones, earthquakes, tidal waves, floods, destruction by lightening;

iii. explosions, fires, destruction of machines, of factories, and of any kind of installations;

iv. acts of authority, whether lawful or unlawful apart from acts for which the party seeking relief has assumed risk by virtue of other provisions of the Agreement; and apart from internal strikes as described in paragraph C below; and

An external strike is a strike that does not involve the participating member itself, but nonetheless affects its ability to handle Standard (EMS) items or to provide transmission of data about such items. If an external strike takes place, the member can waive the guarantee of the inbound and outbound shipments for a period extending from the beginning of the external strike until two days after it is notified of its conclusion.

C. Internal strikes are defined herein as strikes within a member's organization, which causes disruption to processing of Standard (EMS) items or the provision of data about such items. If such an internal strike occurs, the member on strike cannot void the product guarantee for failing to meet standards of performance because of the internal strike.

D. A member wishing to apply for a waiver of product guarantee due to an event of force majeure must adhere to the following process:

i. the member must notify the other members by email within 24 hours of any event of force majeure becoming known; and

ii. the member must enter reason code 24 on all affected inbound and outbound items either individually or through batch flagging depending on information technology capabilities and the possibility of using reason codes with scans other than EMSEVT Event Code H.

The affected member shall notify the other members that normal service has resumed and cease entering reason code 24 at that time.

12. Guarantee

Each KPG member shall offer to its customers a guarantee for the delivery of Standard (EMS) items to other KPG members that conforms to the guarantee adopted by the CEO Board. The guarantee shall take effect at such time and under such conditions as the CEO Board determines based on the recommendations of the Board of Directors.

13. Development of Economy (Air Parcels) Service

A. The Economy (Air Parcels) service developed by the Board of Directors shall have the following minimum attributes:

i. Ability to scan items at acceptance, departure from outward Office of Exchange, arrival at inward Office of Exchange and at delivery and ability to transmit data to designated information technology infrastructure as implemented by KPG;

ii. Proof of delivery consisting of the name and signature of the person or entity receiving the shipment and associated date of delivery;

iii. Scheduled and/or on-demand pick-up service availability Monday through Friday at nominated major metropolitan areas;

iv. Scheduled and/or on demand pick-up service availability Saturdays and Sundays as applicable for each member;

v. Customer ability to tender traffic at retail counters Monday through Friday;

vi. Customer ability to tender traffic at retail counters Saturdays and Sundays as applicable for each member; and

vii. Ability to provide an economy service for all packages weighing up to 30 Kg. and respecting in-country dimensional limits.

14. Economy (Air Parcels) Service Objectives

End-to-end Service Objectives shall be competitive, according to criteria defined by the Board of Directors.

15. Target for End-to-End Economy (Air Parcels) Service

A. Except as provided in this Article, the Target for end-to-end delivery of Economy (Air Parcels) items shall be [redacted] consistent performance in meeting the end-to-end Service Objectives. In addition, the Target of acceptance and delivery scan capture and transmission shall be [redacted] and [redacted] respectively. Levels of Achievement for end-to-end Economy (Air Parcels) items shall be measured [redacted]

B. The end-to-end delivery target established in paragraph A of this Article shall not apply to La Poste and Singapore Post. In expectation of a non-guaranteed product launch, and subject to Article 11 (Force Majeure), La Poste and Singapore Post's Target for end-to-end delivery of Economy (Air Parcels) items shall be [redacted]

[redacted] consistent performance in meeting the end-to-end Service Objectives by [redacted]

C. Each KPG member shall work toward achievement of the minimum service attributes for Economy (Air Parcels) service.

D. Correos, La Poste, Royal Mail and Singapore Post shall implement an economy (Air Parcels) service with delivery confirmation and proof of delivery to the other KPG members according to the terms of their individual agreements signed upon entry to KPG, or as otherwise determined or amended by the CEO Board based on the recommendations of the Board of Directors.

16. Operational Improvement Financing

Each KPG member shall bear its own costs in developing, implementing, and maintaining its dispatch and delivery Service Objectives for items, achieving its Levels of Achievement to meet the Targets for items, maintaining end-to-end Service Objectives for items, and maintaining service measurement and diagnostic systems. Each KPG member shall bear its own costs in developing its compliance with the designated product specifications as agreed by the Board of Directors. Each KPG member shall bear its own costs in taking remedial actions to achieve minimum dispatch and delivery Levels of Achievement for Standard (EMS) items, as well as end-to-end Levels of Achievement for items as appropriate. Each KPG member shall also bear its own costs with respect to the KPG Posts Integration Manager referred to in Article 20 below.

17. Administrative Support and Coordination

The postal administration of the Chairman of the KPG Board of Directors shall have responsibility for coordinating the activities provided for in this Agreement. The KPG Management Team shall serve as the secretariat for the Board of Directors and shall be responsible for collecting information on the Board of Directors' behalf and preparing information for the CEO Board under the direction of the Board of Directors.

18. Administrative Support and Coordination Financing

The postal administration of the KPG Board of Directors Chairman shall bear the costs of local administrative support.

19. KPG Management Team

The Board of Directors shall establish a KPG Management Team to provide day-to-day oversight and coordination of KPG activities and to do the day-to-day work of the Board of Directors. The core Management Team shall consist of a full time General Manager, a Manager, Networks, a Manager, Line-haul Programs, a

Manager, EMS Operations, a Manager, Air Parcels Operations, a Manager, EDI Compliance, a Manager, Competitor Markets Development, a Manager, Customer Service Programs, a Manager, Customer Service, a Manager, Diagnostics and a Manager, Customs Programs. The Management Team shall report to and be directed by the Board of Directors. The members of the Management Team shall either be seconded or furnished to KPG from its members or be retained under contract. Management Team members shall in principle operate on a day-to-day basis at a location determined by the Board of Directors based on a recommendation from the General Manager. Additional support may be commissioned by the KPG Board of Directors as needed.

20. KPG Posts Integration Manager

Each KPG member shall designate one person to serve as its KPG Posts Integration Manager to coordinate that member's KPG activities with the Board of Directors and the Management Team. Each KPG Posts Integration Manager shall have the responsibility for implementation of KPG decisions within the member postal administration.

21. KPG Management Team Financing

The expenses of the Management Team, including salaries and benefits of the members of the Management Team, shall be borne by KPG up to [redacted] in general and up to [redacted] for travel related expenses, for the period ending December 31, 2011. Each member shall contribute [redacted] to defray those expenses. The Board of Directors shall approve travel expenditure according to the agreed guidelines for travel expenses.

22. KPG Home Base

A. The KPG members agree that working meetings will be held in Hong Kong and to establish a bank account and central office for the KPG in Hong Kong.

B. The expenses of holding working meetings in Hong Kong and the establishment of a central office for the KPG shall be borne by KPG up to a maximum of [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

23. Information Technology Support and Maintenance

A. The Board of Directors shall maintain the information systems needed to support the Standard (EMS) service, the Economy (Air Parcels) service and the product guarantee established in accordance with Article 12. **("KPG Systems")** KPG Systems shall include [redacted]

[redacted]

B. KPG Members acknowledge that -.as elements of their individual IT systems will deliver data to, and generally interface, with elements of the KPG Systems - no changes, enhancements or modifications (which could potentially affect or impact upon the performance of KPG Systems) should be made to local systems or data of individual KPG members unless adequate prior notice of the proposed changes has been given to the KPG Management Team, and to the KPG Board of Directors following agreed established processes.

24. Information Technology Support and Maintenance Financing

A. The cost of maintaining the information system shall be borne by the KPG up to a maximum of [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

B. In addition, KPG members agree that costs associated with data management services, including data cleansing, shall be borne by the KPG members concerned.

25. Information Technology Enhancements

The Board of Directors shall undertake activities to enhance the information technology to support KPG objectives. These projects shall include future [redacted]

26. Information Technology Enhancements Financing

The expenses of the Information Technology Enhancement activities shall be borne by KPG up to [redacted] for future enhancement of existing systems, hardware upgrades and data processing automation. The expenditure of these funds shall be determined by the Board of Directors according to agreed guidelines. Each member shall contribute [redacted] to defray those expenses.

27. KPG Network Expansion Strategy

The Board of Directors shall undertake activities, as specified in the Business Plan, to expand the KPG network.

28. KPG Network Expansion Strategy Financing

The expenses of the KPG Network Expansion activities shall be borne by KPG up to [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

29. [redacted]

The Board of Directors shall undertake activities to [redacted] subject matter experts to support the progress of these initiatives.

30. [redacted]

The expenses of the KPG [redacted] initiatives shall be borne by the KPG up to [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

31. Process Integration

The Board of Directors shall maintain updated reporting methodology and systems documentation. The expenses of these activities shall be borne by the KPG up to [redacted] The expenditure of these funds shall be determined by the Board of Directors. Each member shall contribute [redacted] to defray those expenses.

32. Market Research

The Board of Directors shall undertake further strategic and marketing analysis for services to be provided by the KPG and shall develop and implement a further Strategic Services Agreement to take effect from January 1, 2012. The scope of this activity shall be determined by the Board of Directors. The results of the further strategic and marketing analysis shall be reflected in the business plan to be presented to the CEO Board no later than December 15, 2011. The further Strategic Services Agreement shall be completed as soon as practicable after

completion of the business plan and presented to the CEO Board for signature no later than December 15, 2011.

33. Market Research Financing

The expenses of the Market Research activities related to the 2011 CEO Conference and the annual Business Plan shall be borne by the KPG up to a maximum of [redacted] The expenditure of these funds shall be determined by the Board of [redacted] ach member shall contribute [redacted] to defray those expenses.

34. Limitation of Activities

A. Except as provided in paragraph B below, the activities provided for in this Agreement shall be the only activities undertaken by the KPG until this Agreement expires.

B. The CEO Board may amend this Agreement to authorize and fund other projects. Proposals for additional projects for the first half of 2011 shall in principle be submitted to the CEO Board by the end of January 2011. Other proposals for additional projects shall be submitted to the CEO Board before the CEO Board meeting in July 2011.

35. Administration of Receipts and Payments

A member Post, as designated by the Board of Directors shall be responsible for overseeing the disbursement of the payment or distribution of funds as appropriate.

36. Administration of Receipts and Payments Financing

The designated member Post acting as Bursar shall be reimbursed its expenses for administration of receipts and payments up to the amount of [redacted] Each member shall contribute [redacted] to defray those expenses.

37. Funding of Business Plan and Payment of Expenses

Payment of all contributions specified in this Agreement shall be made to the bank account established by the designated member Post acting as Bursar on behalf of KPG. Payment shall be made no later than April 30, 2011.

38. Reserve Fund

All funds not expended during a particular year shall be kept as a reserve fund for the year following. During the year following, the Board of Directors shall either expend the resources of the reserve fund for any project which has been approved by the CEO Board or authorize the partial or full disbursement of these funds to their originators.

39. Reallocation of Resources

In the event that the Board of Directors determines that funds allocated to a particular project under this Agreement could be more effectively expended on a different project that is also included in this Agreement, the Board may reallocate those funds as it deems appropriate, provided that the total expenditures do not exceed the total amount of funds authorized under this Agreement.

40. Non-liability

The relationship created under this Agreement does not constitute a partnership or like entity under any national or international law. No member may act as an agent for any other member except as specifically authorized or provided in this Agreement or any subsequent agreement. No member shall be liable for the acts or omissions of any other member with respect to the activities related to this Agreement, nor, except as specifically provided in this Agreement or any subsequent agreement, shall any member be entitled to any indemnity from any other member with respect to any act or omission with respect to the activities related to this Agreement

41. Entire Agreement; Nature of Agreement

A. This Agreement constitutes the entire agreement among the parties with respect to the specific matters dealt with herein. No previous understanding or agreement among the parties, or any of them, with respect to the specific matters contained herein (to include any commercial law agreements between the parties, but not any agreements purporting to be executed under international law) shall have any legal force or effect except as specifically incorporated in this Agreement.

B. The Parties acknowledge that, in accordance with Article RL 253 of the UPU Letter Post Regulations and with respect to Parcels, Article 12.5 of the Universal Postal Convention, to which their countries are parties, aspects of EMS and Air Parcel Service not expressly governed by this Agreement or other KPG instruments are subject to the appropriate provisions of the Acts of the Universal Postal Union.

C. The signatories acknowledge that this instrument sets out the terms and conditions of a mail exchange arrangement and is not an agreement entered into or subject to international law. This Agreement is only binding on the signatories and it is not binding on their governments.

42. Business Plan and Budget for 2012

The Board of Directors shall, by December 15, 2011, develop and submit to the CEO Board a business plan for calendar year 2012 and detailed budget for calendar year 2012 to support the business plan.

43. Intellectual Property Agreement

The Board of Directors shall renew the 2011 agreement on the intellectual property jointly developed by the KPG no later than December 15, 2011

44. Effective Date and Duration

This Agreement shall take effect on January 1, 2011 and shall remain in effect through December 31, 2011.

45. Regulatory Notice; Confidentiality

The Parties acknowledge that as part of ongoing legal transparency or data filing requirements, or as part of any requirements to secure regulatory approval of this Agreement, this Agreement and any supporting documentation related to it may be filed with the U.S. Postal Regulatory Commission ("Commission"), which may establish a docketed proceeding in certain contexts for consideration of the Agreement or information related to the Agreement.

The Parties executing this agreement other than the U.S. Postal Service (hereinafter the "counterparties") authorize the U.S. Postal Service to determine the scope of information that must be made publicly available under U.S. law in any Commission docketed proceeding, subject to such consultation as the counterparties may reasonably request.

The counterparties further understand that any unredacted portion of the Agreement or supporting information may be available on the Commission's public website, www.prc.gov. In addition, the U.S. Postal Service may file information in connection with this instrument (including revenue, cost, or volume data) in other Commission dockets. The counterparties have the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. At the request of any counterparty, the U.S. Postal Service will notify the counterparty of the docket number of any relevant Commission proceeding, if one is assigned.

46. Counterparts & Agreement Date

This Agreement may be entered into by counterparts, all of which taken together shall constitute one and the same instrument. Any party may enter into this Agreement by executing any such counterpart. This Agreement shall be binding only on those parties which execute a counterpart. The date of the Agreement shall be the date stated at page 1, irrespective of the date of signing of counterparts.

SIGNING CLAUSES

AUSTRALIAN POSTAL CORPORATION	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CHINA POST GROUP	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

CORREOS Y TELEGRAFOS SAE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

HONGKONG POST	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

JAPAN POST SERVICE CO LTD	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

KOREA POST	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

GROUPE LA POSTE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

ROYAL MAIL GROUP LTD	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

SINGAPORE POST LIMITED	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

UNITED STATES POSTAL SERVICE	
Signature of Authorized Representative	
Name of Authorized Representative	
Date of Signing	

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 the enclosed operational agreement for improvement of international postal services, particularly express, packages and logistic services, among members of the Kahala Posts Group (KPG).[2] The Postal Service is transmitting this agreement to the Postal Regulatory Commission (Commission) in accordance with 39 U.S.C. § 407(d). A redacted version of this agreement is enclosed with the instant transmittal. The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

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

[1] PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.
[2] Members of the KPG include: The Postal Service, Australian Postal Corporation, China Post Group, Correos y Telégrafos SAE, Hongkong Post, Japan Post Service Co., Ltd., Korea Post, Groupe La Poste, Singapore Post Limited, and Royal Mail Group, Ltd.

competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).[3] Because the portions of materials filed non-publicly 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 agreements such as the one transmitted here, the Postal Service believes that the postal operators that are parties to the agreement are the only third parties with a proprietary interest in the materials. The Postal Service identifies as an appropriate contact person Vincent Mougey, General Manager, KPG, Jubilee Center 9/F #905, 18 Fenwick Street, Wan Chai, Hong Kong, Hong Kong. Mr. Mougey's phone number is +852 2528 6716, and his e-mail address is vincent.j.mougey@usps.gov. The Postal Service has already informed the member posts of KPG, in compliance with 39 C.F.R. § 3007.20(b), about the nature and scope of this filing and about the postal operator's ability to address any confidentiality concerns directly with the Commission.

(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;

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[3] The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

As required by 39 U.S.C. § 407(d), the Postal Service is transmitting an agreement with foreign postal operators, certain of which are agencies of a foreign government.

The agreement includes information concerning the measurement of Service Objectives, Targets, and Levels of Achievement for Standard (EMS) items, a target and level of achievement for dispatch and delivery of Standard (EMS) items, a target and level of achievement for End-to-End Standard (EMS) Service, a target for electronic data interchange (EDI) events transmissions, and targets for End-to-End Economy (Air Parcels) Service. The agreement also includes information concerning KPG management team financing and expenses; information technology support, maintenance and enhancement, and their financing; KPG network expansion strategy financing; market research financing; and the administration of receipts and payments The Postal Service maintains that the redacted portions of the document should remain confidential.

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

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors, which might include foreign postal operators as well as integrators, could use the targets and levels of achievement and financing information described in (3) above to assess any possible comparative vulnerabilities and to

focus sales and marketing efforts on those areas, to the detriment of the Postal Service and the foreign postal operators that signed the agreement. Additionally, foreign postal operators or other potential customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The agreement includes specific information concerning targets and levels of achievement and financing. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors, and the competitors of the other postal operators that signed the agreement, would have the advantage of being able to assess the Kahala Post Group's targets and levels of achievement. Competitors would be able to take advantage of the information when setting their own targets and levels of achievement. Additionally, foreign postal operators or other potential customers could use such information to their advantage in negotiating the terms of their own agreements with the Postal Service. Eventually, this could freeze the Postal Service out of the expedited and parcels market.

Information in the Agreement also consists of sensitive commercial information of foreign postal operators that are members of KPG. Disclosure of such information could be used by competitors of those postal operators to develop a benchmark for the development of a competitive alternative.

Finally, information about the financing of the organization and its activities is withheld on grounds that disclosure could provide insight by competing postal

operators and integrators on the collective cost of maintaining a similar type of association and funding activities such as market research. Disclosure of such information would enable competitors to gain valuable intelligence to mimic a similar type of arrangement.

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

Harm: Public disclosure of performance metrics in the enclosed agreement would provide foreign postal operators that did not sign the agreement transmitted with extraordinary negotiating power in negotiations with the Postal Service.

Hypothetical: The agreement is disclosed publicly on the Commission's website. A postal operator that did not sign the agreement sees the information and uses the publicly available information concerning targets and levels of achievement to the Postal Service's detriment in negotiations with the Postal Service over bilateral expedited and parcel services.,

Harm: Public disclosure of information in the agreement, including information concerning KPG's strategic initiatives, would be used by the Postal Service's competitors, as well as competitors of the foreign postal operators that signed the agreement.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the agreement from the Postal Regulatory Commission's website. The competitor analyzes the agreement to assess the foreign postal operator's and the Postal Service's targets and levels of achievement, as well as

KPG's strategic initiatives. The competitor uses that information as a baseline to develop competitive alternatives.

Harm: Competitors would use performance thresholds to assess vulnerabilities and focus sales and marketing efforts to the detriment of the Postal Service and the other postal operators that signed the agreement.

Hypothetical: The information about targets and levels of achievement thresholds in the agreement is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor then uses this information as a concrete comparison point, advertising itself to potential customers as offering performance better than the Postal Service's or another postal operator that signed the agreement.

Harm: Competitors could use the information in the agreement to create competing associations that mimic the structure, funding, and activities of the association.

Hypothetical: Information about the financing of the organization and its activities is released on the Commission's website. Through disclosure of the costs of funding the organization and its activities, competing postal operators or integrators can assess whether the expenses needed to create a competing organization or association would be a worthwhile. If so, a competing postal operator or integrator would use the information in the agreement as a template

to create a model for a competing association. Further, competitors could gain valuable intelligence to assess the costs borne by the KPG operators on the administration of the association and their efforts targeted at the markets which serve as the focus of KPG activities.

(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 markets for international expedited and parcels products (including postal operators and private sector integrators), as well as their consultants and attorneys. Additionally, the Postal Service believes that, except for foreign postal operators that already have access to this information, actual or potential customers of the Postal Service for parcels and expedited services or similar products should not be provided access to the non-public materials.

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

The Commission's regulations provide, at this time, 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.