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2011 APR 29 A 4:54

April 29, 2011

POSTAL REGULATORY  
COMMISSION  
OFFICE OF THE SECRETARY

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

Dear Ms. Grove:

Recently, in the course of preparing for bilateral negotiations with certain foreign postal operators, the Postal Service discovered that the list of countries designated as Industrialized Countries (ICs) and Developing Countries (DCs) used in the FY 2010 IOCS Tally Analysis was not up-to-date. Two countries, Singapore and Hong Kong, shifted in FY 2010 from the transition system to the target system for terminal dues payment purposes, and the corresponding IOCS Tally Analysis did not reflect these changes.

The FY 2010 inbound mail volumes from Hong Kong and Singapore were properly reported as IC volumes, but the IOCS-related costs associated with those volumes were erroneously reported as DC costs, resulting in an understatement of costs for the IC countries and an overstatement of costs for the DC countries.

In order to negotiate terms that reflect the proper treatment of Singapore and Hong Kong costs and volumes, in upcoming filings, the Postal Service will be using FY2010 costs that realign these countries to their correct categories. The correction shifts international inbound costs between transition and target countries only; Total International Inbound, Total International and Total International Volume Variable costs remain unchanged. The substitution of corrected costs will be highlighted in all affected filings, until a note in the 2011 ICRA concerning these discrepancies can be included in the FY 2011 Annual Compliance Report.

Enclosed please find a CD-ROM, provided under seal, containing an electronic file reflecting the movement of Hong Kong and Singapore from the DC list to the IC list and the associated impact on FY 2010 costs for both ICs and DCs. Because the original version of this information was treated as non-public when filed with the FY 2010 ACR, the Postal Service asks that the contents of the enclosed CD-ROM also be treated as non-public, for the reasons stated in its application for non-public treatment filed on December 29, 2010, in Docket No. ACR2010.

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If you have any questions or concerns about the Postal Service's position on disclosure of any information provided today or subsequently, please contact me. As in the past, the Postal Service expects that any Freedom of Information Act (FOIA) request for the records and information provided at this time will entail consultation between the Postal Service and the Commission, before any records are made publicly available. This approach accords with Department of Justice guidance and with our understanding of the Commission's current policy regarding such requests, which I described in my letter to your predecessor dated March 15, 2002.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. Andrew German". The signature is written in black ink and is positioned above the printed name.

R. Andrew German

Enclosures

cc: Mr. Moeller  
Ms. Weir  
Ms. Eubanks  
Mr. Patelunas