Postal Regulatory Commission
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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 POSTNL - UNITED STATES POSTAL SERVICE BILATERAL AGREEMENT (MC2010-35) NEGOTIATED SERVICE AGREEMENT	Docket No. R2013-4

NOTICE OF UNITED STATES POSTAL SERVICE OF TYPE 2 RATE ADJUSTMENT, AND NOTICE OF FILING FUNCTIONALLY EQUIVALENT AGREEMENT
(November 15, 2012)

In accordance with 39 C.F.R. § 3010.40 *et seq.*, pursuant to authorization from its Governors, the United States Postal Service (Postal Service) hereby provides notice of a Type 2 rate adjustment, that results in improvement over default rates established under the Universal Postal Union (UPU) Acts for inbound Letter Post items. This notice concerns the inbound portion of a bilateral agreement with Royal PostNL BV (PostNL) (PostNL Agreement), which the Postal Service seeks to include within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators (MC2010-35, R2010-5 and R2010-6) product.

The Commission determined that an agreement with China Post Group that is the subject of Docket No. R2010-6 (China Post 2010 Agreement) and the agreement with Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV that is the subject of Docket No. R2010-5 (TNT Agreement) should be included in the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-

35, R2010-5 and R2010-6) product.[1] Subsequently, the Commission determined that the inbound portion of the bilateral agreement with Hongkong Post filed in Docket No. R2011-4 (Hongkong Post 2011 Agreement), and the inbound portion of a bilateral agreement with China Post Group that is the subject of Docket No. R2011-7 (China Post 2011 Agreement) should be included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product.[2]

Because, as discussed in this notice, the PostNL Agreement that is the subject of this docket is similar to the China Post 2010 Agreement, TNT Agreement, the Hongkong Post 2011 Agreement, and the China Post 2011 Agreement, the Postal Service requests that the PostNL Agreement be included within the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-35, R2010-5 and R2010-6) product.

Attachment 1 to this Notice is the Postal Service's application for non-public treatment of these materials. A redacted copy of the PostNL Agreement is included in the public version of this filing as Attachment 2. The full text of the agreement and supporting financial documentation are being filed separately under seal with the Commission. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

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[1] PRC Order No. 549, Order Adding Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 to the Market Dominant Product List and Approving Included Agreements, Docket Nos. MC2010-35, R2010-5, and R2010-6, September 30, 2010, at 12.

[2] PRC Order No. 700, Order Approving Rate Adjustment for Hongkong Post – United States Postal Service Letter Post Bilateral Agreement Negotiated Service Agreement, Docket No. R2011-4, March 18, 2011, at 8; PRC Order No. 871, Order Concerning an Additional Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement, Docket No. R2011-7, September 23, 2011, at 7.

I. Notice of Agreement 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 Agreement 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, a copy of the agreement is being filed under seal in connection with the instant filing. The agreement's inbound market dominant rates are intended to become effective on January 1, 2013. According to paragraph 3 of Article 22 of the PostNL Agreement the rates that are set forth in the TNT Agreement are scheduled to expire on the day prior to the Effective Date of the PostNL Agreement.[3] Public notice of these rates is being given through the instant Notice at least 45 days 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.*

[3] *See* Article 22 of the TNT Agreement.

The parties to the PostNL Agreement are the United States Postal Service and PostNL, the postal operator for the Netherlands. This agreement includes inbound Letter Post, in the form of letters, flats, small packets, bags, and International Registered Mail service for Letter Post.

> *(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 PostNL Agreement, performance improvements include the following aspects:

- The parties have agreed to work together to revised the Accounting Business Rules between the Parties so that the rules include changes in settlement related to the PostNL Agreement;
- The parties are encouraged, but not required, to consider offering one another incentives for optional activities, such as sortation or separation changes; and
- Annex 3 provides suggested Office of Exchange Routing details, and information about the Offices of Exchange that registered mail can be entered into.

These performance improvements should enhance the performance of mail preparation, processing, transportation and other functions related to the delivery services provided for inbound Letter Post items under the agreement.

(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.

This agreement will not result in unreasonable harm to the marketplace. PostNL maintains a generally dominant position in the market for Letter Post originating in its home country. Therefore, PostNL is the only entity in a position to avail itself of an agreement 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 PostNL on the terms and scale contemplated in this agreement.

In addition, the Postal Service and PostNL 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.[4] Because no other entities are in a position to serve as designated operators for the relevant types of mail either originating in PostNL 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 PostNL, the market for the services offered under this agreement 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 agreement is unlikely to pose competitive harm to the marketplace.[5]

> *(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 an agreement to deliver Letter Post in the United States that is tendered by a foreign postal operator. The rates paid by the Postal Service to PostNL for outbound delivery of the Postal Service's products in the Netherlands have not been presented to the Commission. Those rates represent supplier costs to the Postal Service, which are built into the prices that the Postal Service charges its mailing customers for outbound products. An agreement concerning outbound services with a postal operator would no more need to be classified as a product or otherwise subjected to prior Commission review than would

[4] See Universal Postal Convention Article 27 ¶ 9.
[5] 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.

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)."[6] The Postal Service intends to report information on this agreement through the Annual Compliance Report. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from PostNL within the course of the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for this agreement. Furthermore, with respect to performance measurement, because this agreement covers "merely a grouping of other products already being measured,"[7] the Postal Service respectfully requests that the agreement be excepted from separate reporting under 39 C.F.R. § 3055.3(a)(3). The Commission granted similar exceptions from separate reporting for the China Post 2010 Agreement, the TNT Agreement, the Hongkong Post 2011 Agreement, and the China Post 2011 Agreement.[8]

C. Statutory Criteria

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[6] 39 C.F.R. § 3010.43.

[7] 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.

[8] PRC Order No. 549 at 9, 12; PRC Order No. 700, at 7-9; PRC Order No. 871, at 6-7; *see also* PRC Order No. 570, Order Concerning Postal Service Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement, Docket No. RM2010-11, September 3, 2010, at 23 (approving 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).

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 I.A above. With respect to the third criterion, there are no entities that are similarly situated to PostNL in their ability to tender the broad-based Letter Post flows from the Netherlands under similar operational conditions, nor any other entities that serve as a designated operator for Letter Post originating in the Netherlands. 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.[9] Because all of the criteria set forth in 39 U.S.C. § 3622(c)(10) have been met, the Postal Service respectfully urges the Commission to act promptly by allowing the Agreement's rates to be implemented under 39 C.F.R. § 3010.40, as requested.

II. Functional Equivalency

The PostNL Agreement that is the subject of this docket is functionally equivalent to the China Post 2010 Agreement, TNT Agreement, Hongkong Post 2011 Agreement, and the China Post 2011 Agreement. The terms of the PostNL Agreement fit within the proposed MCS language for Inbound Market-Dominant Multi-Service Agreements with

[9] *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.").

Foreign Postal Operators 1.[10] Therefore, the PostNL Agreement and the China Post 2010 Agreement, TNT Agreement, Hongkong Post 2011 Agreement, and the China Post 2011 Agreement conform to a common description.

All five instruments are constructed from a similar template and contain many similar terms and conditions. All five agreements provide rates for Letter Post tendered to the Postal Service from each foreign 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 five contracts to the Postal Service are comparable as well. Because the agreements incorporate the same attributes and methodology, the relevant characteristics of the contracts are similar, if not the same. Therefore, the Postal Service submits that the PostNL Agreement that is the subject of this docket is functionally equivalent to the China Post 2010 Agreement, TNT Agreement, Hongkong Post 2011 Agreement, and China Post 2011 Agreement and should be added to the market dominant product list within the same Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product listing.[11]

There are, however, differences between the PostNL Agreement that is the subject of this docket and the China Post 2010 Agreement, the TNT Agreement, and

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[10] *See* 1602.4 Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators, Suppl MCS Markup 7 28 2011, Additional Supplemental Comments of United States Postal Service on Mail Classification Schedule, Docket No. RM2011-8, July 29, 2011, at 208.

[11] As noted in the Postal Service's earlier classification request, "[i]f 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." Request of the 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), Docket Nos. MC2010-35, R2010-5, and R2010-6, August 13, 2010, at 14.

the Hongkong Post 2011 Agreement. For the sake of convenience, the Postal Service will compare the inbound portion of the PostNL Agreement that is the subject of this docket with the TNT Agreement.[12] Differences between the two agreements include the following.[13]

- Both agreements are with the postal operator of the Netherlands, but the TNT Agreement was with TNT Post, a subsidiary of the postal operator for the Netherlands, and the agreement that is the subject of this docket is with Post NL, the current postal operator of the Netherlands.
- Article 1 includes the addresses of the Postal Service and PostNL.
- Article 3 includes an additional paragraph concerning the Parties working together to revise the Accounting Business Rules between the Parties.
- An additional Article 8 concerning Customs Inspection has been added, and the subsequent articles have been renumbered.
- Article 9, Termination, has been revised, and includes additional details concerning termination.
- Article 10, Dispute Resolution, has been revised.

[12] The China Post 2010 Agreement and the TNT Agreement were added simultaneously to the market dominant product list as functionally equivalent, without indicating which would serve as the "baseline" for functional equivalence comparisons with future agreements. To avoid redundancy with earlier comparisons between the China Post 2010 Agreement and the TNT Agreement, and because both the TNT Post and the PostNL Agreement are with the postal operator of the Netherlands, the Postal Service believes that the comparison offered here is more illuminating and appropriate than one that includes all four agreements, or one that compares the PostNL Agreement to the China Post 2010 Agreement and/or the Hongkong Post 2011 Agreement. A different comparison might be appropriate in other instances.

[13] The differences listed do not include differences that specifically apply to the sections of the PostNL Agreement that concern inbound Air Parcels and EMS. Those differences are listed in the companion filing which requests that the PostNL Agreement be included within the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34 and CP2010-95) product of the competitive product list.

- Article 12, Indemnification and Liability, has been revised and includes additional paragraphs.
- In Article 14, paragraph 2, additional information has been added so as to more clearly state certain requirements under United States law related to the agreement.
- Article 22 has been revised so that it makes reference to the TNT Post Agreement and the Exprès Service Agreement.
- Article 23 has been revised to state that the agreement will remain in effect for a two-year period from the Effective Date.
- Article 24, Intellectual Property, Co-Branding and Licensing and Article 25, Survival have been added.
- Different individuals signed the PostNL Agreement, than those that signed the TNT Agreement.
- On the first page of Annex 1, the rates, some information in the rates table, as well as some of the footnotes below the rate table have been revised.
- On the second page of Annex 1, specifications concerning Cards have been added and some of the other specifications have been revised.
- Annex 2, Detailed Item Content Restrictions has been added.
- Annex 3, Suggested Office of Exchange Routing Details has been added.

The Postal Service does not consider that the specified differences between the PostNL Agreement and the TNT Agreement affect either the fundamental service the Postal Service is offering or the fundamental structure of the contracts. Nothing

detracts from the conclusion that because there are only a few differences between the PostNL Agreement and the TNT Agreement, and because the Commission concluded that the TNT Agreement may be included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product, the PostNL Agreement should be included in the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product.

III. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the agreement and related financial information should remain confidential. In accordance with 39 C.F.R. § 3007.21, the Postal Service files as Attachment 1 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 1.

IV. Conclusion

For the reasons discussed, the Postal Service believes that the PostNL Agreement discussed herein should be included within the Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-35, R2010-5 and R2010-6) product.

In accordance with the provisions of 39 C.F.R. § 3055.3(a)(3), the Postal Service also asks that the Commission approve an exception to the performance reporting requirements for all contracts added to the Mail Classification Schedule as Inbound Market-Dominant Multi-Service Agreements with Foreign Postal Operators because the performance of the products covered by those agreements is already included in the measurement of other products.

Respectfully submitted,

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ATTACHMENT 1

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 the inbound market dominant agreement between the Postal Service and PostNL (Agreement) filed in this proceeding. The Agreement and supporting documents establishing compliance are being filed separately under seal with the Commission. A redacted copy of the Agreement is filed with the Request as Attachment 2. In addition, a redacted version of the supporting financial documentation is included with this public filing as a separate Excel file.

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);

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

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

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 Agreement, the Postal Service believes that the only third party with a proprietary interest in the materials is the foreign postal operator with whom the contract is made. Through text in the Agreement, the Postal Service has already informed the postal operator, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and the operator's ability to address its confidentiality concerns directly with the Commission. Due to the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operator, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices concerning the Agreement. The Postal Service identifies as an appropriate contact person Ms. Lea Emerson, Executive Director, International Postal Affairs. Ms. Emerson's phone number is (202) 268-2574, and his email address is lea.emerson@usps.gov.[3]

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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.

[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

(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 an Agreement and financial work papers associated with that Agreement. These materials were filed under seal, with redacted copies filed publicly, after notice to the affected postal operator. The Postal Service maintains that the redacted portions of the Agreement and related financial information should remain confidential.

With regard to the Agreement filed in this docket, the redactions withhold the actual prices being offered between the parties under the Agreement, as well as the targeted delivery scanning rate for one product. 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 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 Agreement 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

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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.

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. 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. 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 Agreement or from the information in the workpapers whether additional margin for net contribution exists under Agreement's prices. The settlement charges between the Postal Service and the foreign postal operator 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 foreign postal operator involved in the Agreement at issue in this docket could use the information in the work papers in an attempt to renegotiate the rates in its instrument by threatening to terminate its current Agreement.

Price information in the Agreement and financial spreadsheets also consists of sensitive commercial information of the foreign postal operator. Disclosure of such information could be used by competitors of the foreign postal operator to assess the foreign postal operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operator 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 Agreement, 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: The 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 available margin below the rates provided to either operator. The other postal operator, which was offered rates comparable to those published in the 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 workpapers from the Postal Regulatory Commission's website. It analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to 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 the foreign postal operator's competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the foreign postal operator'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 the counter-party to the Agreement with respect to all materials filed under seal except for the text of the postal operator's 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.

ROYAL POSTNL BV – 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 with offices at 475 L'Enfant Plaza SW, Washington, DC 20260, and Royal PostNL BV ("PostNL"), a company registered in the Netherlands with a registered office at Prinses Beatrixlaan 23, 2595 AK The Hague. The USPS and PostNL 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, PostNL 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 a list of products as specified in Annex 1 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 PostNL 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

1. 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 PostNL 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 PostNL in a return communication, in which case that alternative date shall be the Effective Date.

2. The Parties will work together to revise by December 31, 2012, the Accounting Business Rules between the Parties so that the rules include changes in settlement related to this Agreement.

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 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 PostNL 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 PostNL shall have no liability, which shall include no obligation to pay costs associated with any action taken by PostNL 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 the Annexes in this Agreement.

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 19 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 19 below.

Article 8: Customs Inspection

USPS bears no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection. Further, PostNL 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 9: Termination

1. Either Party may terminate this Agreement without cause upon 90 days advance written notice to the other Party. 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 and to the EMS charges normally applied in light of the Parties' respective commitments to one another (e.g., as EMS Cooperative members or otherwise) 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.

Article 10: 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 will escalate it up within their respective organizations. If the dispute cannot be resolved even after it has been escalated to the top level in each organization, i.e., the level of PostNL's Chief Executive Officer and United States Postal Service's Postmaster General (or the equivalents to those positions at the time), then, if there is still no resolution, the Parties shall engage in non-binding mediation. If a resolution still cannot be found, the Parties agree to submit the dispute to binding arbitration to take place in Washington, DC or The Hague. The parties shall alternate between these locations for each separate dispute, with the first such arbitration proceeding being held in Washington, DC, or another mutually agreed to location, under the Rules of Arbitration of the International Chamber of Commerce (ICC) by three arbitrators appointed in accordance with the Rules. For any reason, which shall include but not be limited to the partial or full enforcement of a binding judgment by the arbitrators, either party may enter said judgment or an award of the arbitrators in any court of competent jurisdiction in the country of the party against whom the judgment or award is to be enforced.

3. Notwithstanding the provisions of this Article, and without prejudice to Article 12, paragraph 1, in the event of conflict or inconsistency between the provisions of this Article and Article 12, paragraph 1, the provisions of Article 12, paragraph 1 shall prevail.

Article 11: 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 12: 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 that Parties have taken to those instruments, as well as the appropriate provisions of the EPG Agreements.

2. In the event that an entity not party to this Agreement asserts claims against PostNL or USPS that are related to the exchange of the products specified in Annex 1 and that are attributable to the fraud, negligence, or willful misconduct 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. Neither Party to this Agreement shall be liable to the other Party, or will indemnify the other Party, for any loss or 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, except for the following:
   a. liability and indemnification as described in Article 12, paragraphs 1 and 2,
   b. final settlement under Article 9, or
   c. any actual damage or loss suffered by a Party as a result of a breach of this Agreement by the other Party.

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 13: 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 14: 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. PostNL and USPS will treat as confidential and not disclose to third parties, absent express written consent by the other Party, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission.

2. PostNL 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. PostNL

authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. PostNL further understands that any unredacted portion of this Agreement or supporting documentation may be posted on the Commission's public website, www.prc.gov. In addition, the USPS may be required to file information in connection with this Agreement (including revenue, cost, or volume data) in other Commission dockets, including Commission docket numbers ACR2013 and ACR2014. PostNL 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 the request of PostNL, the USPS will notify PostNL 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 15: 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 16: 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 20260-4016
Lea.Emerson@usps.gov

To PostNL:

PostNL International Mail
Director international Relations
Mr. Jan Sertons
P.O. Box 30259
2500 GG DEN HAAG
THE NETHERLANDS
jan.sertons@postnl.nl

Article 17: 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 18: 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 19: Amendment

This Agreement may be amended or extended only by mutual written agreement signed by authorized representatives of PostNL 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 20: 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 21: 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. PostNL acknowledges that 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 22: Entire Agreement

1. Except as otherwise provided in this Agreement, this Agreement, including all Annexes to this Agreement, shall constitute the entire agreement between the Parties concerning the exchange of international mail described herein.

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. [redacted] 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. Neither PostNL nor the USPS is released from any obligations arising under the TNT POST – United States Postal Service Strategic Bilateral Agreement executed by TNT POST on July 16, 2010 and by the USPS on July 22, 2010 (TNT POST – USPS 2010 Bilateral Agreement), which shall terminate at 11:59pm on the day prior to the Effective Date of this Agreement, if an Effective Date for this Agreement is established.

4. 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 apply to mail tendered under this Agreement.

5. The exchange of Exprès items between the Parties shall take place in accordance with the terms of the Exprès Service Agreement and its procedures, as adopted on December 23, 1999, and amended from time to time by the parties to the Exprès Service Agreement.

6. With the exception of the Agreements mentioned in Paragraphs 2, 3, 4, and 5 of this Article, or 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.

Article 23: Term

The USPS will notify PostNL 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 PostNL of the status of the approval process or of potential fulfillment of the approval process. The Agreement shall remain in effect for two years after the Effective Date unless terminated sooner pursuant to Article 9. Before the expiration of this two-year period, the Agreement shall be reviewed by both Parties to determine whether to extend or otherwise modify the Agreement.

Article 24: 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 25: Survival

The provisions of Articles 5, 9, 10, 11, 12, 13, 14, 15, 16, 22, 23, and 24 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.

PostNL

Herna Verhagen
CEO

November, 15, 2012
Date

United States Postal Service

Giselle Valera
Managing Director, Global Business,
and Vice President

November 14, 2012
Date

Annex 1: Settlement Rates

Settlement rates listed in the tables included below are product stream rates per piece 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 from January 1, 2013 until December 31, 2013, and Period 2 is from January 1, 2014 until December 31, 2014.

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.

US to NL		Period 1		Period 2	
Service Description	**Mail Stream**	**SDR/Piece**	**SDR/Kg**	**SDR/Piece**	**SDR/Kg**
Priority Letter Tray non-IPA	A,UL,IL-P- non-IPA (PU)	[redacted]			
Priority Flat Tray- non-IPA	A,UL,IL-G- non-IPA (GU)				
Priority Bag non-IPA	A,UN,BG- non-IPA				
IPA - Letters, Flats, Packets	A,UZ,PU/GU/BG				
Priority M-Bag	A,UN/UM,BG non IPA and IPA				
Priority Registered Mail Bag	A,UR,BG				
ISAL	B,UL,PU/GU and B,UN, BG				
SAL M-Bag	B,UN/UM,BG				
Surface Bag	C, UN, BG/CN				
Express Mail Service	A,ED/EM/EN,All				
Air Parcels	A,CE/CN, All,				

NL to US		Period 1		Period 2	
Service Description	**Mail Stream**	**SDR/Piece**	**SDR/Kg**	**SDR/Piece**	**SDR/Kg**
Priority Letter Tray	A,LP,IL-P	[redacted]			
Priority Flat Tray	A,LP,IL-G				
Priority Bag	A,LP,BG/IS				
Priority Bulk Container	A,LP,PC/CN/PB/NE				
Priority IPA	A,UZ,All				
Priority Registered Mail Bag	A,UR,BG/IS				
SAL Letter Tray	B,LP,IL-P				
SAL Flat Tray	B,LP,IL-G				
SAL Bag	B, LP and UZ, BG				
SAL Bulk Container	B,LP,PC/CN/PB/NE				
SAL M-Bag	B,LP/UM,BG				
Surface Bag	C,LP,BG				
Surface M-Bag	C,LP/UM,BG				
Surface Bulk Container	C,LP,PC				
Surface Letter Tray	C,LP,IL				
Express Mail Service	A, ED/EM/EN, All				
Air Parcels	A,CE/CN, All				

[redacted]

[redacted]

Specifications of Letter Post Product Categories and Formats

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

Cards

Any piece which has:
- a length more than 3.5 inches but less than 5.5 inches and
- a height more than 4.25 inches but less than 6.0 inches and
- a thickness more than 0.007 inch but less than 0.016 inch, and
- which is rectangular.

Letters

Any piece which has:
- a length more than 139.70 mm (5.5 inches) but less than or equal to 292 mm (11 1/2 inches) and
- a height more than 88.90mm (3.5 inches) but less than or equal to 155 mm (6 1/8 inches) and
- a thickness more than 0.18mm (0.007 inch) but equal to or less than 6 mm (1/4 inch)
- and which has a weight of less than or equal to 99.22 grams (3.5 ounces)

Flats/Large Letters

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

Specifications of Parcel Post Product Categories and Formats

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

Specifications of EMS Product Categories and Formats

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

Annex 2 – 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/en/activities/customs/list-of-prohibited-articles.html

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

Annex 3 – Suggested Office of Exchange Routing Details

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

First Two Digits of Postal codes	Appropriate US point of entry
00-29	JFK - New York
30-34	MIA - Miami
35-79	ORD - Chicago
80-99	SFO – San Francisco

Registered mail can **only** be entered in LAX, JFK and MIA Offices of Exchange.