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

COMPETITIVE PRODUCT PRICES GLOBAL PLUS 1C CONTRACTS (MC2012-6) NEGOTIATED SERVICES AGREEMENTS	Docket No. CP2013-39

NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING A FUNCTIONALLY EQUIVALENT GLOBAL PLUS 1C NEGOTIATED SERVICE AGREEMENT AND APPLICATION FOR NON-PUBLIC TREATMENT OF MATERIALS FILED UNDER SEAL
(January 10, 2013)

In accordance with 39 C.F.R. § 3015.5 and Order No. 85,[1] the United States Postal Service (Postal Service) hereby gives notice that it is entering into a Global Plus 1C contract. Prices and classifications not of general applicability for Global Plus 1 Contracts were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Plus Contracts, issued on May 28, 2008 (Governors' Decision No. 08-8).[2] Subsequently, the Postal Regulatory Commission (Commission) determined that the Global Plus 1 contracts filed in Docket Nos. CP2008-9 and CP2008-10,[3] and the Global Plus 1 contracts filed in Docket Nos. CP2009-46 and CP2009-47,[4] were functionally equivalent

[1] PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket Nos. CP2008-8, CP2008-9, and CP2008-10, June 27, 2008.
[2] A redacted copy of this decision was filed as an attachment to the United States Postal Service Notice of Filing Redacted Copy of Governors' Decision No. 08-8, Docket Nos. CP2008-8, CP2008-9, and CP2008-10, June 16, 2008. An unredacted copy of the decision, as well as a record of proceedings, was filed under seal with the Notice of United States Postal Service of Governors' Decision Establishing Prices and Classifications for Global Plus Contracts, Docket No. CP2008-8, June 2, 2008.
[3] PRC Order No. 85 at 8, 11.
[4] PRC Order No. 265, Order concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-46, July 31, 2009, at 7; PRC Order No. 266, Order

to each other and included them within the Global Plus 1 product on the competitive products list. In addition, the Commission added the contracts filed in Docket Nos. CP2010-67 and CP2010-68 to the competitive product list as a new product, Global Plus 1A.[5] Also, the Commission added the contracts filed in Docket Nos. CP2011-39 and CP2011-40 to the competitive product list as a new product, Global Plus 1B.[6] Furthermore, the Commission added the contracts filed in Docket Nos. CP2012-12 and CP2012-13 to the competitive product list as a new product, Global Plus 1C. The contracts filed in Docket Nos. CP2012-12 and CP2012-13 serve as the baseline agreements for comparison of potentially functionally equivalent agreements under the Global Plus 1C grouping.[7] The Commission determined that individual Global Plus 1C contracts may be included as part of the Global Plus 1C product if they meet the requirements of 39 U.S.C. § 3633 and if they are functionally equivalent to the previously submitted Global Plus 1C contracts.[8]

The contract and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. A redacted copy of the contract, a redacted version of the certified statement required by 39 C.F.R. § 3015.5(c)(2) for the contract, and a redacted version of Governors' Decision No. 11-6 are filed as Attachments 1, 2, and 3, respectively.

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concerning Filing a Functionally Equivalent Global Plus 1 Contract Negotiated Service Agreement, Docket No. CP2009-47, July 31, 2009, at 6.

[5] PRC Order No. 504, Order Approving Functionally Equivalent Global Plus 1A Contracts Negotiated Service Agreements, Docket Nos. MC2010-26, CP2010-67 and CP2010-68, at 8.

[6] PRC Order No. 622, Order Adding Global Plus 1B to the Competitive Product List and Approving Functionally Equivalent Global Plus 1B Contracts, Docket Nos. MC2011-7, CP2011-39 and CP2011-40, December 23, 2010, at 8.

[7] PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, at 7-8.

[8] *Id*., at 6-8.

Attachment 4 to this Notice is the Postal Service's Application for Non-public Treatment of materials filed under seal in this docket. A full discussion of the required elements of the application appears in Attachment 4. Redacted versions of the supporting financial document for the contract are included with this filing as separate Excel files.

I. Background

The contract that is the subject of this filing is the successor to the agreement that the Commission found to be eligible for inclusion in the Global Plus 1C product in Docket No. CP2012-12. The contract that is the subject of this docket is scheduled to become effective upon the termination of the agreement that is the subject of Docket No. CP2012-12, on January 27, 2013.

The Postal Service demonstrates below that the agreement that is included with this filing is functionally equivalent to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. Accordingly, this contract should be included within the Global Plus 1C product.

II. Identification of the Additional Global Plus 1C Contract

The Postal Service believes that this additional Global Plus 1 contracts fits within the Mail Classification Schedule (MCS) language for Global Plus 1, included as Attachment A to Governors' Decision No. 08-8, as revised in Attachment 2C of the Postal Service's initial filing in Docket Nos. MC2012-6, CP2012-12, and CP2012-13.[9]

This agreement is the immediate successor of the Global Plus 1C contract that is the subject of Docket No. CP2012-12, which is scheduled to expire on "11:59 p.m. on

[9] Request of the United States Postal Service to Add Global Plus 1C to the Competitive Products List and Notice of Filing Two Functionally Equivalent Global Plus 1C Contracts Negotiated Service Agreements and Application for Non-Public Treatment of Materials Filed Under Seal, Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 4, 2012, Attachment 2C.

the day prior to the date of any change in the published rates that affect the Qualifying Mail" in the agreement "that may fall within the month of January 2013."[10] A change in the published rates that affects Express Mail International and Priority Mail International is scheduled to occur on January 27, 2013.[11]

As a result, the instant agreement that is the subject of this filing is set to begin on January 27, 2013, at the expiration of the customized agreement that is the subject of Docket No. CP2012-12. By its terms, the agreement will remain effect until 11:59 p.m. on the day prior to the date of any change in the published rates that affect the Qualifying Mail in the agreement that may fall within the month of January, 2014. Should the date of any change in the published prices that affects the Qualifying Mail in the agreements not occur before January 31, 2014, the agreement shall terminate at 11:59 p.m. on January 31, 2014.[12]

III. Functional Equivalence of Global Plus 1C Contracts

The Global Plus 1C contract under consideration is substantially similar to the contracts filed in Docket Nos. CP2012-12 and CP2012-13. The contracts share similar cost and market characteristics. In Governors' Decision No. 08-8, the Governors established a pricing formula and classification which ensure that each Global Plus 1 contract meets the criteria of 39 U.S.C. § 3633 and the regulations promulgated

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[10] *Id*., Attachment 4A, at 9.

[11] In Docket No. CP2013-3, the Commission issued Order No. 1536, completing its review of the Postal Service's notice of changes in rates of general applicability for certain competitive products and related classification changes, including changes in rates for Global Express Guaranteed, Express Mail International, Priority Mail International, International Priority Airmail, and International Surface Air Lift products. The Postal Service's notice was based on Governors' Decision No. 12-02, which established the changes and ordered the changes into effect on January 27, 2013. In PRC Order No. 1536, the PRC stated that the planned price changes submitted by USPS appeared to satisfy the relevant statutory and regulatory requirements. (PRC Order No. 1536, Order Approving Changes in Rates of General Applicability for Competitive Products. Docket No. CP2013-3, November 8, 2012, at 4-5, 16)

[12] *See* Attachment 1, at 10.

thereunder. The pricing formula relied on for these Global Plus 1C contracts is included in Governors' Decision No. 11-6, which is included as Attachment 3 to this filing.

Therefore, the costs of each Global Plus 1C contract conform to a common description. In addition, the Global Plus 1C language proposed for the MCS requires that each Global Plus 1C contract must cover its attributable costs. The contract at issue here meets the Governors' criteria and thus exhibits similar cost and market characteristics to the previous Global Plus 1 contracts

The functional terms of the contract that is the subject of this filing are very similar to those of the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13, which serve as the baseline agreements for the Global Plus 1C product grouping. The benefits of the contract to the Postal Service are comparable as well. Therefore, the Postal Service submits that the contract is functionally equivalent to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13, and should be added to the Global Plus 1C product grouping.

In a concrete sense as well, this Global Plus 1C contract shares the same cost and market characteristics as the previous Global Plus 1C contracts. Customers for Global Plus 1C contracts are Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Global Express Guaranteed, Express Mail International, Priority Mail International, and/or Commercial ePacket service. Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers. Prices also may differ depending upon when the agreement is signed, because of the incorporation of updated costing information.

These differences, however, do not alter the contracts' functional equivalency. Because the agreement incorporates the same cost attributes and methodology, the relevant characteristics of this Global Plus 1C agreement is similar, if not the same, as the relevant characteristics of previously filed Global Plus 1C contracts.

Like the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13, this contract also fits within the parameters outlined by the Governors' Decisions establishing and authorizing the rates for Global Plus 1C agreements. There are, however, differences between this contract and the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13, which include:

- The name and address of the customer in the title and first paragraph of the agreement;
- The non-inclusion of Global Bulk Economy (GBE) service in the agreement, which is reflected throughout the agreement – for example, in Article 2, in the deletion of the paragraph defining GBE, which caused the renumbering of the subsequent paragraphs in Article 2; and the deletion of references to GBE in Article 13 paragraph (4), Article 25, and Article 33;
- A revised Article 3 concerning Qualifying Mail;
- A minor revision to Article 4 paragraph (10);
- In Article 7, the negotiated minimum revenue commitment; an additional paragraph (2) concerning tender, which caused the renumbering of subsequent paragraphs and references to such paragraphs; a revision to paragraph (3); an additional paragraph 4(d) concerning advance notification; an additional paragraph 9(d) concerning address labels and

customs declarations; a revised paragraph 12 concerning customs and exports requirements; and an additional paragraph 15 concerning penalties;

- In Article 12, revisions concerning the term of the agreement;
- A revision to Article 13 paragraph 1 concerning penalty and reimbursement;
- A revised Article 17 concerning indemnity;
- In Article 18, the addition of paragraphs (5) and (6);
- In Article 25, revisions concerning the entire agreement and survival;
- A revised Article 27 concerning mailability, exportability, and importability;
- In Article 28, revisions to information concerning the customer's representative to receive notices under the agreement;
- Minor revisions to Article 30 concerning Conditions Precedent and Article 31 Confidentiality;
- An additional Article 34 concerning Warranties and Representation; and
- The name of the customer on the signatory page.

The Postal Service does not consider that the specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract. Nothing detracts from the conclusion that this agreement is "functionally equivalent in all pertinent aspects"[13] to the contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13.

IV. Conclusion

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

For the reasons discussed, and on the basis of the financial data filed under seal, the Postal Service has established that this Global Plus 1C contract is in compliance with the requirements of 39 U.S.C. § 3633. In addition, the contract is functionally equivalent to the baseline Global Plus 1C contracts that are the subject of Docket Nos. CP2012-12 and CP2012-13. Accordingly, the contract should be added to the Global Plus 1C product grouping.

Respectfully submitted,

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January 10, 2013

Certification of Prices for the Global Plus 1 Contract with [redacted]

I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Global Plus 1 Contract with [redacted]. The prices contained in this contract were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates, issued on March 22, 2011 (Governors' Decision No. 11-6), which established prices by means of price floor formulas.

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

Joseph Moeller

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR DOMESTIC COMPETITIVE AGREEMENTS, OUTBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, INBOUND INTERNATIONAL COMPETITIVE AGREEMENTS, AND OTHER NON-PUBLISHED COMPETITIVE RATES (GOVERNORS' DECISION NO. 11-6)

March 22, 2011

STATEMENT OF EXPLANATION AND JUSTIFICATION

Pursuant to our authority under section 3632 of title 39, as amended by the Postal Accountability and Enhancement Act of 2006 ("PAEA"), we establish new prices not of general applicability for certain of the Postal Service's competitive service offerings, and such changes in classification as are necessary to implement the new prices.

This decision establishes prices for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates. Domestic Competitive Agreements consist of negotiated service agreements with Postal Service customers for domestic services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Outbound International Competitive Agreements consist of negotiated service agreements with Postal Service customers for outbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Inbound International Competitive Agreements consist of negotiated service agreements with foreign postal operators or other entities for inbound international services that are categorized as competitive in accordance with 39 U.S.C. § 3642(b)(1)-(2). Other Non-Published Competitive Rates consist of rates not of general applicability that are not embodied in contractual instruments, but nonetheless arise from other sources, such as the Universal Postal Convention.

With respect to any product within the above categories, management is hereby authorized to prepare any necessary product description, including text for inclusion in the Mail Classification Schedule, and to present such product description to the Postal Regulatory Commission.

The Postal Accountability and Enhancement Act (PAEA) requires that prices for competitive products must cover each product's attributable costs, not result in subsidization by market dominant products, and enable all competitive products to contribute an appropriate share to the Postal Service's institutional costs. For agreements subject to this Decision, there are hereby established all prices that will cover [redacted] costs for the relevant product and that conform in all other respects to 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. As discussed in the accompanying management analysis, the Chief Financial Officer (or his delegee(s)) shall certify that all cost inputs have been correctly identified for prices subject to this Decision and that all prices subject to this Decision conform to this Decision and to the requirements of the PAEA.

No agreement, grouping of functionally equivalent agreements, or other classification authorized pursuant to this Decision may go into effect unless it is submitted to the Postal Regulatory Commission with a notice that complies with 39 U.S.C. § 3632(b)(3). On a quarterly basis, management shall furnish the Governors with a report on all non-published rate and classification initiatives. Not less than once each year, the Governors shall review the basis for this Decision and make such further determination as they may deem necessary. This Decision does not affect postal management's obligation to furnish to the Board of Governors information regarding any significant, new program, policy, major modification, or initiative, or any other matter under 39 C.F.R. § 3.7(d), including where such a matter also falls within the scope of this Decision.

This Decision does not supersede or otherwise modify Governors' Decision Nos. 08-5, 08-6, 08-7, 08-8, 08-10, 08-20, 08-24, 09-5, 09-6, 09-7, 09-14, 09-15, 09-16, 10-1, 10-2, 10-3, 10-6, and 10-7, nor does it affect the validity of prices and classifications established under those Decisions. Management may also continue to present to the Postal Regulatory Commission for its review, as appropriate, rate and classification changes to succeed the minimum and maximum non-published rates in Decision Nos. 10-2 and 10-6.

ORDER

In accordance with the foregoing Decision of the Governors, the prices set forth herein for Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates and the changes in classification necessary to implement those prices, are hereby approved and ordered into effect. An agreement is authorized under this Decision only if the prices fall within this Decision and the certification process specified herein is followed. Prices and classification changes established pursuant to this Decision will take effect after filing with and completion of review by the Postal Regulatory Commission.

By The Governors:

Louis J. Giuliano
Chairman

Attachment A

Management Analysis of Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates

This analysis concerns the inbound competitive prices and classifications in the Domestic Competitive Agreements, Outbound International Competitive Agreements, Inbound International Competitive Agreements, and Other Non-Published Competitive Rates (collectively, "competitive instruments"). Competitive instruments are often negotiated with customers and foreign postal operators for better cost coverage, higher overall contribution, and improved service with respect to postal services classified as competitive. They may also arise from other sources, such as the Universal Postal Convention.

The cost coverage for each competitive agreement or grouping of functionally equivalent instruments (collectively, each "product") will be [redacted]

The cost coverage for a product equals [redacted]

Each competitive instrument may have multiple price categories and negotiated components. Examples of such categories or components would be Priority Mail, Express Mail, Parcel Return Service, Priority Mail International, Express Mail International, International Priority Airmail, International Surface Air Lift, Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and Inbound International Expedited Services. These or other categories may include other services that the relevant customer or foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in the same manner within the United States Postal Service's network. Such instruments may also establish negotiated rates for services ancillary to such items and for customized competitive services developed for application solely in the context of the agreement.

[redacted]

RESTRICTED AND SENSITIVE BUSINESS INFORMATION - DO NOT DISCLOSE

[redacted]

[redacted] Prices established by these formulas should not interfere with competitive products' ability as a whole to comply with 39 U.S.C.§ 3633(a)(3), which, as implemented by (39 C.F.R.§ 3015.7(c)) requires competitive products to contribute a minimum of 5.5 percent to the Postal Service's total institutional costs. Accordingly, no issue of subsidization of competitive products by market dominant products should arise (39 U.S.C.§ 3633(a)(1)).

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 11-6**

I hereby certify that the Governors voted on adopting Governors' Decision No. 11-6, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.

Julie S. Moore

Date: 3/22/2011

Julie S. Moore
Secretary of the Board of Governors

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 and the accompanying Global Plus contract docket.[2] The materials pertain to two Global Plus contracts – a Global Plus 1C contract that the Postal Service believes is functionally equivalent to previously filed Global Plus 1C contracts,[3] and a Global Plus 2C contract that the Postal Service believes is functionally equivalent to previously filed Global Plus 2C contracts.[4] The contract that is the subject of this docket and supporting documents establishing compliance with 39 U.S.C. § 3633 and 39 C.F.R. § 3015.5 are being filed separately in this docket under seal with the Commission. A redacted copy of the contract, a redacted version of the certified statement required by 39 C.F.R. § 3015.5(c)(2) for the contract, and a redacted version of Governors' Decision No. 11-6 are filed as Attachments 1, 2, and 3, respectively. Redacted versions of other financial documentation are filed publicly in separate Microsoft Excel documents.

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

[2] A similar Application for Non-Public Treatment was filed with the accompanying Global Plus 2C contract that the Postal Service filed in Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 2C Contract Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, Docket No. CP2013-36, January 8, 2013, Attachment 4. The financial documents included in this filing concern not only the Global Plus 1C contract that is the subject of this docket, but also the Global Plus 2C contract that the Postal Service filed in Docket No. CP2013-36.

[3] *See* PRC Order No. 1151, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, PRC Docket Nos. MC2012-6, CP2012-12, and CP2012-13, January 19, 2012, at 8.

[4] *See* PRC Order No. 1135, Order Adding Global Plus 2C to the Competitive Product List and Approving Functionally Equivalent Global Plus 2C Agreements, Docket Nos. MC2012-5, CP2012-10, and CP2012-11, January 13, 2012, at 7.

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 competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).[5] Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email 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 Global Plus 1C and 2C contracts, the Postal Service believes that the third parties with a proprietary interest in the materials are the customer with whom the contracts are made, Canada Post Corporation (Canada Post), and Federal Express Corporation (FedEx Express) with respect to data concerning Global Express

[5] 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.

Guaranteed (GXG).[6] The Postal Service believes that it is possible that Federal Express (FedEx), which is involved in the provision of GXG, may have a proprietary interest in some of the information in this filing.[7]

The Postal Service maintains that customer identifying information should be withheld from public disclosure. Therefore, rather than identifying the customer for these contracts, the Postal Service gives notice that it has already informed the customer, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to the customer with proprietary interest in the materials filed in this docket is Mr. James J. Crawford, Business Development Specialist, Global Business, United States Postal Service, 475 L'Enfant Plaza, Room 2P020, Washington, DC 20260-0020, whose email address is james.j.crawford@usps.gov, and whose telephone number is 202-268-7714.

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[6] However, other postal operators can be considered to have a proprietary interest in some rate information in the financial workpapers included with this filing. The Postal Service maintains that such information should be withheld from public disclosure. In view of the practical difficulties, the Postal Service has not undertaken to inform all affected postal operators about the nature and scope of this filing and about the ability to address any confidentiality concerns directly with the Commission as provided in 39 C.F.R. § 3007.20(b). Due to language and cultural differences as well as the sensitive nature of the Postal Service's rate relationship with the affected foreign postal operators, the Postal Service proposes that a designated Postal Service employee serve as the point of contact for any notices to the relevant postal operators. The Postal Service identifies as an appropriate contact person Guadalupe Contreras, EMS Manager, International Postal Relations. Ms. Contreras' phone number is (202) 268-4598, and her email address is guadalupe.n.contreras@usps.gov. The Postal Service acknowledges that 39 C.F.R. § 3007.21 (c)(2) appears to contemplate only situations where a third party's identification is "sensitive" as permitting the designation of a Postal Service employee who shall act as an intermediary for notice purposes. To the extent that the Postal Service's filing in the absence of actual notice might be construed as beyond the scope of the Commission's rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator, and to designate a Postal Service employee as the contact person under these circumstances, since it is impractical to communicate with dozens of operators in multiple languages about this matter.

[7] Although FedEx Express might have a proprietary interest in data reflecting charges between the Postal Service and FedEx Express and possibly data showing volume or weights for GXG, the Postal Service maintains that the Postal Service is the only party with a proprietary interest in revenue data reflecting GXG transactions between the Postal Service and its customers.

The financial documentation also contains information that could be considered proprietary to Canada Post. The Postal Service has already informed Canada Post, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing and its ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Ewa Kowalski, Canada Post Corporation, as the appropriate contact on behalf of Canada Post. Ms. Kowalski's telephone number is (613) 734-6201, and her email address is ewa.kowalski@canadapost.postescanada.ca. Canada Post has requested that any communications regarding confidential treatment of these data be sent with a courtesy copy to Dennis Jarvis, General Manager, International Product Management, Canada Post Corporation. Mr. Jarvis's telephone number is (613) 734-8149, and his email address is dennis.jarvis@canadapost.ca.[8]

The financial documentation also contains data specific to GXG service, which the Postal Service offers in partnership with FedEx Express. The Postal Service identifies James H. Ferguson, Corporate Vice President, Customer and Business Transactions, FedEx Corp. & General Counsel, FedEx Corporate Services, Inc., as the appropriate contact on behalf of FedEx Express. Mr. Ferguson's telephone number is (901) 434-8600, and his email address is jhferguson1@fedex.com

(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;

[8] In the event of a request for early termination of non-public treatment under 39 C.F.R. § 3007.31, a preliminary determination of non-public status under 39 C.F.R. § 3007.32, or a request for access to non-public materials under 39 C.F.R. § 3007.40, the Postal Service notes, on Canada Post's behalf, that differences in the official observation of national holidays might adversely and unduly affect Canada Post's ability to avail itself of the times allowed for response under the Commission's rules. In such cases, Canada Post has requested that the Postal Service convey its preemptive request that the Commission account for such holidays when accepting submissions on matters that affect Canada Post's interests. A listing of Canada's official holidays can be found at http://www.pch.gc.ca/pgm/ceem-cced/jfa-ha/index-eng.cfm.

In connection with its Notice filed in this docket, the Postal Service included a contract, as well as financial workpapers, the certified statement required for the contract by 39 C.F.R. § 3015.5(c)(2), certifying that the agreement should meet the requirements of 39 U.S.C. § 3633(a)(1), (2), and (3), as well as the applicable Governors' Decision No. 11-6. These materials were filed under seal, with redacted copies filed publicly, after notice to the customer. The Postal Service maintains that the redacted portions of these materials should remain confidential.

With regard to the contract filed in this docket, the redactions on page 1 and to the footers of each page, the article concerning notices, and the signature block constitute the name or address of a postal patron whose identifying information may be withheld from mandatory public disclosure by virtue of 39 U.S.C. § 504(g)(1) and 39 U.S.C. § 410(c)(2). The redacted portions of the footers of the Annexes also protect the customer's identifying information from disclosure.

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

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

Governors' Decision No. 11-6 is reproduced as Attachment 3 and includes as

supporting materials an Attachment A. Redactions appear on page two and in Attachment A of Governors' Decision No. 11-6. These redactions protect sensitive commercial information concerning the applicable cost-coverage.

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

Any performance reports filed in this docket will typically show the actual revenue and cost coverage of the customer's completed contract. The Postal Service will redact all of the values represented in such performance reports as commercially sensitive business information and will also protect any customer identifying information from disclosure.

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

If the portions of the contract that the Postal Service determined to be protected from disclosure due to their commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm.

Revealing customer-identifying information would enable competitors to focus marketing efforts on current postal customers, undermining the effort and resources that the Postal Service has invested in cultivating business relationships with those customers

Other redacted information in the Agreement (which is included as Attachment 1 to this notice) includes negotiated contract terms, such as the minimum volume and/or revenue commitment agreed to by the customer, various penalties and the percentage of cost increase which may trigger a consequential price increase. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers made by the Postal Service to its customers for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Additionally, other potential customers could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, assumptions used in pricing formulas, the formulas themselves, mailer profile information, projections of variables, contingency rates included to account for market fluctuations and the exchange risks. All of this information is highly confidential in the business world. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing. Unlike its competitors, the Postal Service is required by the mail classification schedule to demonstrate that each negotiated agreement within this group covers its attributable

costs. Furthermore, the Postal Service's Governors have required that each contract be submitted to the Commission with a notice that complies with 39 C.F.R. § 3015.5.[9] Thus, competitors would be able to take advantage of the information to offer lower pricing to the Global Plus 1C and/or Global Plus 2C customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant 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 contract or from the information in the workpapers whether additional margin for net profit exists between the contract being filed and the contribution that Global Plus 1C and/or Global Plus 2C contracts must make. From this information, each customer could attempt to negotiate ever-increasing incentives, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised. Even a customer involved in this filing could use the information in the workpapers in an attempt to renegotiate its own rates by threatening to terminate its current agreement, although the Postal Service considers this risk to be lower in comparison to those previously identified.

Price information in the contract and financial spreadsheets also consists of sensitive commercial information of the customer. Disclosure of such information could

[9] Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Plus Contracts (Governors' Decision No. 08-8), May 28, 2008, at 2-3 and Attachment A; Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Global Direct, Global Bulk Economy, and Global Plus Contracts (Governors' Decision No. 08-10), July 16, 2008, at 2-3 and Attachment A.

be used by competitors of the customer to assess its underlying costs, and thereby develop a benchmark for the development of a competitive alternative.

Information in the financial spreadsheets also consists of sensitive commercial information of Canada Post. Disclosure of such information could be used by competitors of Canada Post to develop competitive alternatives to its products.

In addition, information in the financial spreadsheets consists of sensitive commercial information related to FedEx Express. Disclosures of information could be used by competitors of FedEx Express to develop alternatives to FedEx Express' products.

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

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

Hypothetical: The identity of the customer in this contract is revealed to the public. Another delivery service has an employee monitoring the filing of Global Plus 1C and/or Global Plus 2C contracts and passing along the information to its sales function. The competitor's sales representatives can then quickly contact the Postal Service's customer and offer the customer lower rates or other incentives to terminate its contract with the USPS in favor of using the competitor's services.

Identified harm: Public disclosure of negotiated terms of the agreement could be used by competitors and potential customers to the Postal Service's detriment.

Hypothetical: Customer A signs a Global Plus 1C and/or 2C contract that is filed with the Postal Regulatory Commission. At the same time, Customer B is considering signing a similar Global Plus 1C or 2C contract and has no real concern about the penalty provision, which calls for Customer B to pay up to $10,000 in penalty if it fails to meet its minimum volume commitment before termination of the agreement. The information about Customer A's penalty is made public. Customer A's agreement calls for a $5,000 maximum payment as penalty. Customer B sees the information. Customer B now insists that it will not agree to be obligated to pay any more than Customer A was obligated to pay, diminishing the Postal Service's bargaining leverage.

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

Hypothetical: A competing delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. It analyzes the workpapers to determine what the Postal Service would have to charge its customers in order to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. It then sets its own rates for products similar to what the Postal Service offers its Global Plus 1C and/or Global Plus 2C customers under that threshold and markets its ability to guarantee 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 the business-to-business and

business-to-customer delivery services markets for which the Global Plus 1C and 2C product is designed.

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

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

Alternatively, Customer B attempts to extract lower rates only for those destinations for which it believes the Postal Service is the low-cost provider among all service providers. The Postal Service may agree to this demand in order to keep the customer's business overall, which it believes will still satisfy total cost coverage for the agreement. Then, the Customer uses other providers for destinations other than those for which it extracted lower rates. This impacts the Postal Service's overall projected cost coverage for the agreement, such that it no longer meets its cost coverage requirement. Although the Postal Service could terminate the contract when it first

recognized that the mailer's practice and projected profile were at variance, the costs associated with establishing the contract, including filing it with the Postal Regulatory Commission, would be sunk costs that would have a negative impact on the Global Plus 1C and/or Global Plus 2C product overall.

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

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

Identified harm: Public disclosure of information in the contracts would be used by Canada Post's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers and contract from the Postal

Regulatory Commission's website. The competitor analyzes the contract and workpapers to assess Canada Post's prices. The competitor uses that information to target its competitive offerings accordingly.

Identified harm: Public disclosure of information in the contracts would be used by FedEx Express' competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers and contract from the Postal Regulatory Commission's website. The competitor analyzes the contract and workpapers to assess FedEx Express' prices. The competitor uses that information to target its competitive offerings accordingly.

(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 delivery services markets, as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for this or similar products should not be provided access to the non-public materials. This includes all competitors of the relevant customer, whether or not they are currently actual Postal Service customers.

(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.