

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

COMPETITIVE PRODUCT PRICES
INBOUND COMPETITIVE MULTI-SERVICE AGREEMENTS WITH
FOREIGN POSTAL OPERATORS
DEUTSCHE POST – UNITED STATES POSTAL SERVICE
BILATERAL AGREEMENT (MC2010-34)
NEGOTIATED SERVICE AGREEMENT

CP2013-65

**UNITED STATES POSTAL SERVICE NOTICE OF FILING
FUNCTIONALLY EQUIVALENT INBOUND COMPETITIVE MULTI-SERVICE
AGREEMENT WITH A FOREIGN POSTAL OPERATOR (DEUTSCHE POST)**
(June 6, 2013)

In accordance with 39 C.F.R. § 3015.5 and Order No. 546,¹ the United States Postal Service (Postal Service) gives notice that it has entered into an additional Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator. This notice concerns a bilateral agreement with Deutsche Post that the Postal Service seeks to include within the Inbound Competitive Multi-Service Agreement with Foreign Postal Operators (MC2010-34) product.

Prices and classifications for competitive products not of general applicability for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators were established previously by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 9, 2010 (Governors' Decision No. 10-3).²

¹ PRC Order No. 546, Order Adding Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 to the Competitive Product List and Approving Included Agreement, Docket Nos. MC2010-34 and CP2010-95, September 29, 2010.

² A redacted copy of the Governors' Decision No. 10-3 was filed on August 13, 2010, and is filed as Attachment 3 of this Notice. An unredacted copy of this Governors' Decision was filed under seal on the same day with Request of United States Postal Service to Add Inbound Competitive Multi-Service Agreements with Foreign Postal Operators to the Competitive Product List, and Notice of Filing (Under

The Postal Regulatory Commission (Commission) previously determined, in Order No. 546, that the agreement with Koninklijke TNT Post BV and TNT Post Pakketservice Benelux BV that is the subject of Docket No. CP2010-95 (TNT Agreement) should be included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-34 and CP2010-95) product. In Order No. 546, the Commission acknowledged that the Postal Service proposed “that additional agreements functionally equivalent to the TNT Agreement be added to the competitive product list as price categories under the Competitive Multi-Service Agreements product.”³ Since that time, the Commission has added the competitive portions of several bilateral agreements with foreign postal operators to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product. More recently the Commission determined that the bilateral agreement with Royal PostNL BV, a successor agreement to the agreement considered in PRC Docket No. MC2010-34, should be included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 product.⁴ The agreement with Deutsche Post that is the subject of this docket (Deutsche Post Agreement) is intended to become effective on July 1, 2013.⁵

Seal) of Enabling Governors’ Decision and Negotiated Service Agreement, Docket Nos. MC2010-34 and CP2010-95, August 13, 2010. That notice may be accessed at the following link: http://prc.gov/Docs/69/69690/MC2010-34_CP2010-95%20Request_Notice.pdf.

³ PRC Order No. 546, at 4.

⁴ PRC Order No. 1593, Order Approving Addition of Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 Negotiated Service Agreement (with Royal PostNL BV), Docket No. CP2013-24, December 26, 2012, at 6-7.

⁵ Pursuant to paragraph 4 of Article 21 of the Deutsche Post Agreement, every prior agreement establishing rates for the exchange of Air and Surface CP and EMS for delivery in the United States from Deutsche Post to the Postal Service will no longer be in effect on the effective date of the Deutsche Post Agreement, if an effective date for the Deutsche Post agreement is established.

The Deutsche Post agreement 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, and a redacted copy of the agreement is filed as Attachment 1. A certified statement concerning the Deutsche Post Agreement that is required by 39 C.F.R. § 3015.5(c)(2) is included with this filing as Attachment 2, and an Application for Non-Public Treatment is included as Attachment 4. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

For other competitive products, the Commission has determined that additional individual contracts may be included as part of the product if they meet the requirements of 39 U.S.C. § 3633 and if they are functionally equivalent to the previously submitted contracts included within the product.⁶ In PRC Order No. 840, the Commission accepted the Postal Service's designation of the TNT Agreement "as the baseline agreement for functional equivalency analyses of the Inbound Competitive Multi-Service Agreement with Foreign Postal Operators 1 product."⁷

The Postal Service demonstrates in this filing that the agreement to deliver inbound Air and Surface CP and EMS in the United States that is included in the Deutsche Post Agreement is functionally equivalent to the agreement to deliver inbound Air CP and EMS in the original TNT Agreement. Accordingly, the Postal Service requests that the Commission include the Deutsche Post Agreement within the Inbound

⁶ See, e.g., PRC Order No. 601, Order Approving Five Additional Global Expedited Package Services 3 Negotiated Service Agreements, Docket Nos. CP2011-34, CP2011-35, CP2011-36, CP2011-37 and CP2011-38, December 1, 2010, at 5.

⁷ PRC Order No. 840, at 5.

Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC 2010-34)
product.

Identification of the Additional Inbound Competitive Multi-Service Agreement with a Foreign Postal Operator

The Postal Service believes that the Deutsche Post Agreement fits within the Mail Classification Schedule (MCS) language included as Attachment A to Governors' Decision No. 10-3.⁸ The competitive services offered to Deutsche Post include rates for inbound Air and Surface Parcels and EMS. The Postal Service and Deutsche Post intend for the effective date of the rates concerning Air and Surface Parcels and EMS included in the agreement to be July 1, 2013. The rates for inbound Air and Surface Parcels and EMS included in the agreement will remain in effect from the effective date until terminated pursuant to the agreement.

In this docket, the Postal Service is presenting only an agreement with Deutsche Post to deliver inbound Air and Surface Parcels and EMS in the United States. The rates paid by the Postal Service to Deutsche Post for outbound delivery of the Postal Service's competitive products in Germany 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 shipping customers for outbound competitive products to be delivered in Germany. Because it is similar to an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers, obligations concerning Commission review or product classification do

⁸ See also 2515.10 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, Additional Supplemental Comments of United States Postal Service on Mail Classification Schedule, PRC Docket No. RM2011-8, July 29, 2011, Suppl MCS Markup 7 28 2011.pdf, at 411.

not apply to an agreement concerning outbound competitive services with the German postal operator.

Application for Non-public Treatment

The Postal Service maintains that the redacted portions of the contract and related financial information should remain confidential. 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.

Functional Equivalency of Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

The inbound portion of the Deutsche Post Agreement is substantially similar to the inbound portion of the original TNT Agreement in terms of the products being offered under the contract and the contract's cost characteristics. Like the TNT Agreement, the Deutsche Post Agreement also fits within the parameters outlined by Governors' Decision No. 10-3, which establishes the rates for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators. There are, however, differences between the inbound portion of the Deutsche Post Agreement and the inbound portion of the TNT agreement. These differences include the following.

- The name of the foreign postal operator with whom the agreement is made is different in the title, first paragraph, Article 16, signature block, and throughout the agreement.
- The first paragraph includes information concerning the parties' representatives and locations.

- In the Introduction, three paragraphs are added to identify the parties as postal operators within the meaning of the Universal Postal Convention and Parcel Post Regulations; to assert that the parties have the experience, personnel, infrastructure, and facilities required to execute the agreement; and to describe the Agreement's impact on the 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 ("Sub-Agreement B").
- In Article 3, Oversight and Effective Date, a second paragraph is added that states that the parties will work together to revise the accounting business rules between them.
- Article 5, Limitation on Liability and Costs, is amended to reflect application of each sentence to both the Postal Service and Deutsche Post.
- Article 6, Price and Settlement Changes; No Effect on Service Terms, is amended to apply to settlement charges.
- An additional article, Article 8, concerning Customs Inspection, is included in the Deutsche Post Agreement. As a result, all subsequent article numbers have been renumbered.
- Article 9, Termination; Article 10, Dispute Resolution; Article 11, Indemnification and Liability; and Article 13, Confidentiality Requirements, differ as a result of negotiations between the parties.

- Article 10, Construction, does not appear in the Deutsche Post Agreement.
- A fourth paragraph is added to Article 21, Entire Agreement, to address the applicability of prior agreements between the parties.
- Article 22, Term, is revised as a result of negotiations between the parties.
- Article 23, concerning Intellectual Property, Co-Branding and Licensing, has been added.
- An Article 24, concerning the survival of various provisions, is added.
- Article 25, concerning applicability to the Deutsche Post DHL Group, is added.
- Article 26, concerning records retention, is added.
- In Annex 1, the explanatory paragraphs that appear before the rate table have been revised. Also, the rate table and the notes after the rate table are different.
- In Annex 1, minor revisions are made to the section concerning Parcels product categories and formats, and a section concerning EPG Parcels is added.
- An Annex 2 concerning detailed item content restrictions has been added.
- An Annex 3 that includes suggested Office of Exchange Routing Details has been added.

Because the Deutsche Post Agreement and the TNT Post Agreement incorporate the same cost attributes and methodology, the relevant cost and market

characteristics are similar, if not the same, for the Deutsche Post Agreement and the TNT Agreement. 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 agreements. Nothing detracts from the conclusion that these agreements are “functionally equivalent in all pertinent respects.”⁹

Conclusion

For the reasons discussed, and as demonstrated by the financial data filed under seal, the Postal Service has established that the Deutsche Post Agreement is in compliance with the requirements of 39 U.S.C. § 3633 and is functionally equivalent to the original TNT Agreement, the first agreement to be included in the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MC2010-34) product. Accordingly, the Deutsche Post Agreement should be added to the Inbound Competitive Multi-Service Agreements with Foreign Postal Operators (MC2010-34) product.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
Chief Counsel
Global Business and Service Development
Corporate and Postal Business Law Section

James M. Mecone
Christopher C. Meyerson

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-6525; Fax -5628

⁹ PRC Order No. 85, Order Concerning Global Plus Negotiated Service Agreements, Docket No. CP2008-8, June 27, 2008, at 8.

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Inputs - Main

	[A]	[B]	[C]	[D]
General Conversions		Value		
[a] USD per SDR for Bilateral Agreement		1.51		
[b] Lbs per Kg		2.20		
Other Factors		Value		
[c] Contingency				
Time Periods		Month	Year	
[d] Beginning of Fiscal Year 2012 (CY2011)		October	2011	
[e] End of Fiscal Year 2012 (CY2012)		September	2012	
[f] Beginning of Fiscal Year 2013 (CY2012)		October	2012	
[g] Agreement Period 1 Start Month		July	2013	
[h] Agreement Period 1 End Month		June	2014	
[i] Agreement Period 2 Start Month		July	2014	
[j] Agreement Period 2 End Month		July	2014	
Inflation Factors - July 2013 to June 2014		Indices	Inflation Factor 1 (Oct 2012 - Jun 2013)	Inflation Factor 2 (Jul 2013 - Jun 2014)
[k] Domestic Mail Processing Inflation		ECI - Total Compensation		
[l] Domestic Delivery Inflation		ECI - Total Compensation		
[m] Domestic Other Inflation		ECI - Total Compensation		
[n] Air Domestic Transportation Inflation		Air Freight		
[o] Surface Domestic Transportation Inflation		Interstate Trucking		
Inflation Factors - July 2014 to July 2014		Indices	Inflation Factor 1 (Oct 2012 - Jun 2014)	Inflation Factor 2 (Jul 2014 - Jul 2014)
[p] Domestic Mail Processing Inflation		ECI - Total Compensation		
[q] Domestic Delivery Inflation		ECI - Total Compensation		
[r] Domestic Other Inflation		ECI - Total Compensation		
[s] Air Domestic Transportation Inflation		Air Freight		
[t] Surface Domestic Transportation Inflation		Interstate Trucking		
	Monthly Inflation Index (Month)	Year	ECI - Total Compensation - Civilian Workers - NS	Air Freight - NS
[u]	January	2010		
[v]	February	2010		
[w]	March	2010		
[x]	April	2010		
[y]	May	2010		
[z]	June	2010		
[aa]	July	2010		
[ab]	August	2010		
[ac]	September	2010		
[ad]	October	2010		
[ae]	November	2010		
[af]	December	2010		
[ag]	January	2011		
[ah]	February	2011		
[ai]	March	2011		

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		[A]	[B]	[C]	[D]
[aj]	April	2011			
[ak]	May	2011			
[al]	June	2011			
[am]	July	2011			
[an]	August	2011			
[ao]	September	2011			
[ap]	October	2011			
[aq]	November	2011			
[ar]	December	2011			
[as]	January	2012			
[at]	February	2012			
[au]	March	2012			
[av]	April	2012			
[aw]	May	2012			
[ax]	June	2012			
[ay]	July	2012			
[az]	August	2012			
[ba]	September	2012			
[bb]	October	2012			
[bc]	November	2012			
[bd]	December	2012			
[be]	January	2013			
[bf]	February	2013			
[bg]	March	2013			
[bh]	April	2013			
[bi]	May	2013			
[bj]	June	2013			
[bk]	July	2013			
[bl]	August	2013			
[bm]	September	2013			
[bn]	October	2013			
[bo]	November	2013			
[bp]	December	2013			
[bq]	January	2014			
[br]	February	2014			
[bs]	March	2014			
[bt]	April	2014			
[bu]	May	2014			
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[bx]	August	2014			
[by]	September	2014			
[bz]	October	2014			
[ca]	November	2014			
[cb]	December	2014			
[cc]	January	2015			
[cd]	February	2015			
[ce]	March	2015			
[cf]	April	2015			
[cg]	May	2015			
[ch]	June	2015			
[ci]	July	2015			

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[c]
[ck]
[cl]
[cm]
[cn]

	[A]	[B]	[C]	[D]
August	2015			
September	2015			
October	2015			
November	2015			
December	2015			

Inputs - Main

	[A]	[B]	[C]	[D]
Volume Adjustment Factor	Period 1	Period 2		
[co] EMS				
[cp] Air Parcels				
[cq] Surface Parcels				
Surface Parcels to Air Parcels Volume Diversion	Value			
[cr] Surface Parcels				
[cs] Air Parcels				
ICRA Cost	Mail Processing	Delivery	Other	Surface Trans
[ct] Total EMS				
[cu] EMS_Non-Canada				
[cv] EMS_Industrialized Country				
[cw] EMS_Developing Country				
ICRA Pieces and Weight	Pieces	Weight (kg)		
[cx] Total EMS				
[cy] EMS_Non-Canada				
[cz] EMS_Industrialized Country				
[da] EMS_Developing Country				
Projected Scanning Improvement	Value			
[db] Percentage of Scans missed compared to previous year				

Notes:

Source: [Aa]: IMF, 05/08/2013

Source: [Ab]: Factual Conversion Factor

Source: [Ac]: USPS pricing decision; The contingency factor provides for unknown developments during the contract period, for instance, exchange rate fluctuations

Source: [Ad] to [Bf]: Factual dates

Source: [Ag] to [Bj]: Proposed contract period

Calculation: [Bk] to [Bo]: For the corresponding indices in Cells [Ak] to [Ao]: $[(\text{Sum of monthly values from the beginning of FY13 in [Af];[Bf] to month prior to the start of the contract in ([Ag];[Bg])}) / (\text{Number of months in that same period})] / [(\text{Sum of monthly values in FY12}) / (\text{Sum of monthly values corresponding to that same time period})] - 1$

Calculation: [Ck] to [Co]: For the corresponding indices in Cells [Ak] to [Co]: $[(\text{Sum of monthly values of the contract period I}) / (\text{Sum of monthly values corresponding to the same time period in the prior year})] - 1$

Calculation: [Dk] to [Do]: $[(1 + \text{Corresponding Cell from [Bk] to [Bo]}) * (1 + \text{Corresponding Cell from [Ck] to [Co]})] - 1$

Calculation: [Bp] to [Bt]: For the corresponding indices in Cells [Ap] to [At]: $[(\text{Sum of monthly values from the beginning of FY13 in [Af];[Bf] to month prior to the start of the contract in ([Ai];[Bi])}) / (\text{Number of months in that same period})] / [(\text{Sum of monthly values in FY12}) / (\text{Sum of monthly values corresponding to that same time period})] - 1$

Calculation: [Cp] to [Ct]: For the corresponding indices in Cells [Ap] to [At]: $[(\text{Sum of monthly values of the contract period II}) / (\text{Sum of monthly values corresponding to the same time period in the prior year})] - 1$

Calculation: [Dp] to [Dt]: $[(1 + \text{Corresponding Cell from [Bp] to [Bt]}) * (1 + \text{Corresponding Cell from [Cp] to [Ct]})] - 1$

Source: [Bu] to [Dcn]: Global Insight Indices, May 2013

Source: [Aco] to [Boq]: USPS Pricing Decision; based upon volume projection study

Source: [Acr] to [Acs]: USPS Pricing Decision; Based upon negotiations with foreign posts, if they intend to shift any SCP volume to ACP

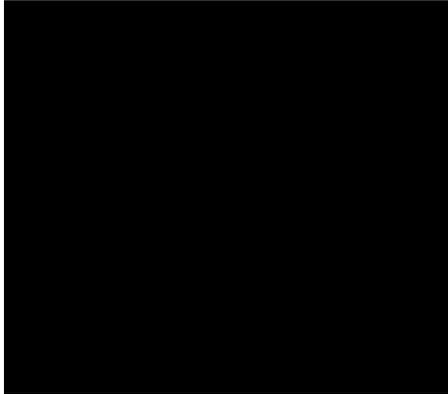
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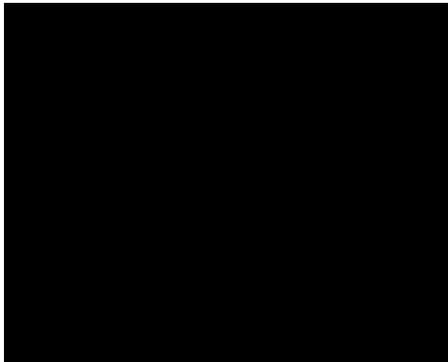
Overview:



Main Inputs:



Methodology:



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Domestic Transportation Cost Inputs

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]
Product	ICRA Database Tab Mapping	Total Air (\$000's)	Total Hiway (\$000's)	Total Rail (\$000's)	Total Water (\$000's)	Total Surface (\$000's)	Total Weight (kg) (000's)	Air Unit Cost	Surface Unit Cost
[a] Foreign Origin - Surface LC/AO	sao								
[b] Foreign Origin - Surface LC/AO	smb								
[c] Foreign Origin - Surface CP	scp								
[d] Foreign Origin - Air LC/AO	alc								
[e] Foreign Origin - Air LC/AO	amb								
[f] Foreign Origin - Int'l Express	ems								
[g] Foreign Origin - Air CP	acp								

Notes

Source: [Aa] to [Eg]: ICRA-FY12 (USPS-FY12-NP2, Docket No. ACR2012, Revised 2/8/2013), Domestic Tran Calcs.xls file, 'annual' tab

Calculation: Column [F]: Sum (Column [C] : Column [E])

Source: Column [G]: ICRA-FY12 (USPS-FY12-NP2, Docket No. ACR2012, Revised 2/8/2013), Domestic Tran Calcs.xls file, 'annual' tab

Calculation: Column [H]: Column [B] / Column [G]

Calculation: Column [I]: Column [F] / Column [G]

Inbound Stream ICRA Mapping

	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]
	Service Description	Stream	Mail Class	Market Dominant / Competitive?	Mail Category	Rec. Type	Shape	Format	Product	Mapping	Total Billable Kg	Total Billable Items
[a]	EMS	A,EM,BG	n/a	Competitive	n/a	n/a		UM	EMS	ems		
[b]	Air Parcels	A,CE,BG	n/a	Competitive	n/a	n/a			ACP	acp		
[c]	Surface Parcels	B/C,CN,BG	n/a	Competitive	n/a	n/a			SCP	scp		

Notes:

Note: The ICRA groups Category B and C parcels together as SCP (Surface Parcels) - Volume for both products is shown in this row

Source: [Aa] to [Jc]: USPS Pricing Decision, using advice from International Postal Affairs; Finance department

Source: [Ka] to [Lc]: If volume exists (is non-zero) in the model: ICRA-FY12 (USPS-FY12-NP2, Docket No. ACR2012, Revised 2/8/2013), Reports.xls file, 'ICRA Database' tab * 1000

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Inbound Product Unit Costs Inputs

	[A]	[B]	[C]	[D]	[E]
	Per Piece Costs			Per Kg Costs	
ICRA Database Tab Product	Domestic Mail Processing	Domestic Delivery	Domestic Other	Air Domestic Transportation	Surface Domestic Transportation
[a] ems					
[b] acp					
[c] scp					

Notes:

Calculation: [Aa]: WP-DeutschePost Competitive-IB-01 [Acv] / WP-DeutschePost Competitive-IB-01 [Acz]

Calculation: [Ba] to [Ca]: Corresponding cost from WP-DeutschePost Competitive-IB-01 [Bcv] to [Ccv] / WP-DeutschePost Competitive-IB-01 [Acz] +
Corresponding cost from WP-DeutschePost Competitive-IB-01 [Bcu] to [Ccu] / WP-DeutschePost Competitive-IB-01 [Acy]

Calculation: [Da] to [Ea]: Corresponding cost from WP-DeutschePost Competitive-IB-01 [Dcu] to [ecu] / WP-DeutschePost Competitive-IB-01 [Bcy]

Source: [Ab] to [Cc]: ICRA-FY12 , Reports.xls file, 'CRA Staging' tab (Industrialized Country costs)

Calculation: [Db] to [Ec] Corresponding Cells WP-DeutschePost Competitive-IB-03 [Ha] to [Ig]

WP-DeutschePost Competitive-IB-06
Existing Settlement Charge Rates

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Service Description	Stream	Market Dominant / Competitive?	Product	[A]	[B]	[C]	[D]	[E]	[F]
				2012 Rates		July 2013 to June 2014		July 2014 to July 2014	
				2012 SDR/ Piece	2012 SDR/ kg	Period 1 SDR/ Piece	Period 1 SDR/ kg	Period 2 SDR/ Piece	Period 2 SDR/ kg
[a] EMS	A,EM,BG	Competitive	EMS						
[b] Air Parcels	A,CE,BG	Competitive	ACP						
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP						

Notes:

Note: The Surface parcel rate applies to Category B and C parcels

Source: [Aa] to [Ba]: 2012 IB EMS Other Country Rate

Source: [Ab] to [Bc]: EPG Agreement with DeutschePost

Source: [Ca] to [Fc]: Bilateral Negotiated Rates

Forecasted Settlement Charge Rates

Service Description	Stream	Market Dominant / Competitive?	Product	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
				July 2013 to June 2014				July 2014 to July 2014			
				Projected 2013 Piece Rate Inflation	Projected 2013 kg Rate Inflation	Period 1 SDR/ Piece	Period 1 SDR/ kg	Projected 2014 Piece Rate Inflation	Projected 2014 kg Rate Inflation	Period 2 SDR/ Piece	Period 2 SDR/ kg
[a] EMS	A,EM,BG	Competitive	EMS								
[b] Air Parcels	A,CE,BG	Competitive	ACP								
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP								

Notes

Note: Inflation figures in Columns [A], [B], [E] and [F] are only applicable if the corresponding rate per period on tab WP-DeutschePost Competitive- B-06 is 'N/A'

Source: [Aa] to [Bc]:USPS Pricing Decision, not applicable if precise rates are negotiated

Calculation: [Ca] to [Cc]: If Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Ca] to [Cc]= n/a

Then: Corresponding cell in WP-DeutschePost Competitive-IB-06 cells [Aa] to [Ac] * (1 + Corresponding Cell in Column [A])

Otherwise: Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Ca] to [Cc]

Calculation: [Da] to [Dc]: If Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Da] to [Dc]= n/a

Then: Corresponding cell in WP-DeutschePost Competitive-IB-06 cells [Ba] to [Bc] * (1 + Corresponding Cell in Column [B])

Otherwise: Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Da] to [Dc]

Source: [Ea] to [Fc]:USPS Pricing Decision, not applicable if precise rates are negotiated

Calculation: [Ga] to [Gc]:If Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Ea] to [Ec]= n/a

Then: Corresponding cell in cells [Ca] to [Cc] * (1 + Corresponding Cell in Column [E])

Otherwise: Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Ea] to [Ec]

Calculation: [Ha] to [Hc]:If Corresponding cell in WP-DeutschePost Competitive-IB-06 cells [Fa] to [Fc]= n/a

Then: Corresponding cell in cells [Da] to [Dc] * (1 + Corresponding Cell in Column [F])

Otherwise: Corresponding cell in WP-DeutschePost Competitive- B-06 cells [Fa] to [Fc]

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Pieces, Weight, and Contract Period Gross Settlement Charges

Service Description	Stream	Market Dominant / Competitive?	Product	Merge	[A] Total Billable Kg	[B] Total Billable Items	[C] [D] [E] [F] [G] July 2013 to June 2014				
							Period 1 Projected Billable Kg	Period 1 Projected Billable Items	Period 1 Settlement Charge per kg (SDR)	Period 2 Settlement Charge per Piece (SDR)	Period 1 Estimated Gross Settlement Charges
							[a] EMS	A,EM,BG	Competitive	EMS	Competitive_EMS
[b] Air Parcels	A,CE,BG	Competitive	ACP	Competitive_ACP							
[c] Surface Parcels	B,C,CN,BG	Competitive	SCP	Competitive_SCP							
[d]	SUBTOTALS										

Notes:
 Calculation [Aa] to [Bc] Corresponding Cell from WP-DeutschePost Competitive-IB-04 Cells [Ka] to [Lc]
 Calculation [Ca] to [Da] Corresponding Cell from [Aa] to [Ba] * Corresponding Volume Adjustment Factor in WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco]
 Calculation [Cb] to [Db] Corresponding Cell from [Ab] to [Bb] * Corresponding Adjustment Factor on WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco] + ((Corresponding cell in [Ac] to [Bc] * WP-DeutschePost Competitive-IB-01 Cell [Cca]) * WP-DeutschePost Competitive-IB-01 Cell [Acs])
 Calculation [Cc] to [Dc] (Corresponding Cell from [Ac] to [Bc] * Corresponding Adjustment Factor on WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco]) * WP-DeutschePost Competitive-IB-01 Cell [Acr]
 Calculation [Ea] to [Fc] Corresponding Cell from WP-DeutschePost Competitive-IB-07 [Ca] to [Dc]
 Calculation [Ga] to [Gc] (Corresponding Cell from column [C] * Corresponding Cell from column [E] + Corresponding Cell from column [D] * Corresponding Cell from column [F]) * WP-DeutschePost Competitive-IB-01 cells [Aa]
 Calculation [Ha] to [Ic] Corresponding Cell from [Ca] to [Dc] * Corresponding Volume Adjustment Factor in WP-DeutschePost Competitive-IB-01 Cells [Bco] to [Bco]
 Calculation [Ja] to [Kc] Corresponding Cell from WP-DeutschePost Competitive-IB-07 [Ga] to [Hc]
 Calculation [La] to [Lc] (Corresponding Cell from column [H] * Corresponding Cell from column [J] + Corresponding Cell from column [I]) * Corresponding Cell from column [K] * WP-DeutschePost Competitive-IB-01 cells [Aa]
 Calculation [Ma] to [Mc] Corresponding Cell from column [G] + Corresponding Cell from column [L]
 Calculation [Ad] to [Dd], [Gd] to [Id], [Ld] to [Md] Sum of corresponding column from cells [Aa] to [Mc]

WP-DeutschePost Competitive-IB-08

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Pieces, Weight, and Contract Period Gross Settlement Charges

Service Description	Stream	Market Dominant / Competitive?	Product	Merge	[A]	[B]	[H]		[I]	[J]		[K]	[L]	[M]
					Total Billable Kg	Total Billable Items	July 2014 to July 2014					Estimated Total Contract Period Gross Settlement Charges (\$)		
							Period 2 Projected Billable Kg	Period 2 Projected Billable Items	Period 2 Settlement Charge per kg (SDR)	Period 2 Settlement Charge per Piece (SDR)	Period 2 Estimated Gross Settlement Charges			
[a] EMS	A,EM,BG	Competitive	EMS	Competitive_EMS										
[b] Air Parcels	A,CE,BG	Competitive	ACP	Competitive_ACP										
[c] Surface Parcels	B,C,CN,BG	Competitive	SCP	Competitive_SCP										
[d]	SUBTOTALS													

Notes:
 Calculation [Aa] to [Bc] Corresponding Cell from WP-DeutschePost Competitive-IB-04 Cells [Ka] to [Lc]
 Calculation [Ca] to [Da] Corresponding Cell from [Aa] to [Ba] * Corresponding Volume Adjustment Factor in WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco]
 Calculation [Cb] to [Db] Corresponding Cell from [Ab] to [Bb] * Corresponding Adjustment Factor on WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco] + ((Corresponding cell in [Ac] to [Bc] * WP-DeutschePost Competitive-IB-01 Cell [Cca]) * WP-DeutschePost Competitive-IB-01 Cell [Acs])
 Calculation [Cc] to [Dc] (Corresponding Cell from [Ac] to [Bc] * Corresponding Adjustment Factor on WP-DeutschePost Competitive-IB-01 Cells [Aco] to [Aco]) * WP-DeutschePost Competitive-IB-01 Cell [Acr]
 Calculation [Ea] to [Fc] Corresponding Cell from WP-DeutschePost Competitive-IB-07 [Ca] to [Dc]
 Calculation [Ga] to [Gc] (Corresponding Cell from column [C] * Corresponding Cell from column [E] + Corresponding Cell from column [D] * Corresponding Cell from column [F]) * WP-DeutschePost Competitive-IB-01 cells [Aa]
 Calculation [Ha] to [Ic] Corresponding Cell from [Ca] to [Dc] * Corresponding Volume Adjustment Factor in WP-DeutschePost Competitive-IB-01 Cells [Bco] to [Bco]
 Calculation [Ja] to [Kc] Corresponding Cell from WP-DeutschePost Competitive-IB-07 [Ga] to [Hc]
 Calculation [La] to [Lc] (Corresponding Cell from column [H] * Corresponding Cell from column [J] + Corresponding Cell from column [I]) * Corresponding Cell from column [K] * WP-DeutschePost Competitive-IB-01 cells [Aa]
 Calculation [Ma] to [Mc] Corresponding Cell from column [G] + Corresponding Cell from column [L]
 Calculation [Ad] to [Dd], [Gd] to [Id], [Ld] to [Md] Sum of corresponding column from cells [Aa] to [Mc]

Pay for Performance Penalties Period 1

	[A]	[B]	[C]
Penalty System	Late Delivery	Late Info Return	Missing Del. Info
[a] % of Rate			
[b] % of Volume			
Penalties	Late Delivery	Late Info Return	Missing Delivery Info
[c] Historic Actuals			
[d] Projected Actuals			
[e] Target			
[f] Projected Penalties			

Notes:

Source: [Aa] to [Cb]: Determined in Bilateral Negotiations

Source: [Ac] to [Cc]: If applicable, from IPC Monthly Payment Reports

Calculation: [Ad] to [Cd]: Corresponding cell from [Ac] to [Cc] * WP-DeutschePost Competitive-IB-01 [Adb]

Source: [Ae] to [Ce]: Determined in Bilateral Negotiations

Calculation: [Af] to [Cf]: If: Corresponding cell from [Ad] to [Cd] - corresponding cell from [Ae] to [Ce] < 0; Then: 0

Otherwise: Corresponding cell from [Ad] to [Cd] - corresponding cell from [Ae] to [Ce]

Pay for Performance Penalties Period 2

	[A]	[B]	[C]
Penalty System	Late Delivery	Late Info Return	Missing Del. Info
[a] % of Rate			
[b] % of Volume			
Penalties	Late Delivery	Late Info Return	Missing Delivery Info
[c] Historic Actuals			
[d] Projected Actuals			
[e] Target			
[f] Projected Penalties			

Notes:

Source: [Aa] to [Cb]: Determined in Bilateral Negotiations

Source: [Ac] to [Cc]: If applicable, IPC Monthly Payment Reports

Calculation: [Ad] to [Cd]: Corresponding cell from [Ac] to [Cc] * WP-DeutschePost Competitive-IB-01 [Adb]

Source: [Ae] to [Ce]: Determined in Bilateral Negotiations

Calculation: [Af] to [Cf]: If: Corresponding cell from [Ad] to [Cd] - corresponding cell from [Ae] to [Ce] < 0; Then: 0

Otherwise: Corresponding cell from [Ad] to [Cd] - corresponding cell from [Ae] to [Ce]

Projected Unit Costs by Service Description

Service Description	Stream	Market Dominant / Competitive?	Product	Mapping	[A]	[B]	[C]	[D]	[E]
					July 2013 to June 2014				
					Period 1 Domestic Mail Processing	Period 1 Domestic Delivery	Period 1 Domestic Other	Period 1 Air Domestic Transportation	Period 1 Surface Domestic Transportation
[a] EMS	A,EM,BG	Competitive	EMS	ems					
[b] Air Parcels	A,CE,BG	Competitive	ACP	acp					
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP	scp					

Notes:

Calculation [Aa] to [Ec] Corresponding unit cost from WP-DeutschePost Competitive-IB-05, cells [Aa] to [Ec] * (1 + corresponding inflation factor from WP-DeutschePost Competitive-IB-01, cells [Dk] to [Do]) * (1 + contingency from WP-DeutschePost Competitive-IB-01, [Ac])

Calculation [Fa] to [Jc] (Corresponding unit cost from WP-DeutschePost Competitive-IB-05, cells [Aa] to [Ec] * (1 + corresponding inflation factor from WP-DeutschePost Competitive-IB-01, cells [Dp] to [Dl]) * (1 + contingency from WP-DeutschePost Competitive-IB-01, [Ac])

Projected Unit Costs by Service Description

Service Description	Stream	Market Dominant / Competitive?	Product	Mapping	[F]	[G]	[H]	[I]	[J]
					July 2014 to July 2014				
					Period 2 Domestic Mail Processing	Period 2 Domestic Delivery	Period 2 Domestic Other	Period 2 Air Domestic Transportation	Period 2 Surface Domestic Transportation
[a] EMS	A,EM,BG	Competitive	EMS	ems					
[b] Air Parcels	A,CE,BG	Competitive	ACP	acp					
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP	scp					

Notes:

Calculation [Aa] to [Ec] Corresponding unit cost from WP-DeutschePost Competitive-IB-05, cells [Aa] to [Ec] * (1 + contingency from WP-DeutschePost Competitive-IB-01, cells [Dk] to [Do]) * (1 + contingency from WP-DeutschePost Competitive-IB-01, cells [Fa] to [Jc]) (Corresponding unit cost from WP-DeutschePost Competitive-IB-05, cells [Aa] to [Ec] * (1 + contingency from WP-DeutschePost Competitive-IB-01, cells [Dp] to [Di]) * (1 + contingency from WP-DeutschePost Competitive-IB-01, cells [Dk] to [Do]) * (1 + contingency from WP-DeutschePost Competitive-IB-01, cells [Fa] to [Jc])

Projected Period 1 Costs (July 2013 to June 2014)

				[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Service Description	Stream	Market Dominant / Competitive?	Product	Projected Per 1 Billable Items	Projected Per 1 Billable (Kg)	Period 1 Domestic Mail Processing	Period 1 Domestic Delivery	Period 1 Domestic Other	Period 1 Air Domestic Transportation	Period 1 Surface Domestic Transportation	Total
[a] EMS	A,EM,BG	Competitive	EMS								
[b] Air Parcels	A,CE,BG	Competitive	ACP								
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP								
[d] Total	n/a		n/a								

Notes

- Calculation: Columns [A] through [B]: Corresponding piece or kilogram information from WP-DeutschePost Competitive- B-08 Columns [C] or [D]
- Calculation: Columns [C] through [E]: Corresponding Cell in Column [A] * Corresponding cell in WP-DeutschePost Competitive- B-11 cells [Aa] to [Cc]
- Calculation: Columns [F] through [G]: Corresponding Cell in Column [B] * Corresponding cell in WP-DeutschePost Competitive-IB-11 Cells [Da] to [Ec]
- Calculation: Column [H]: Sum of corresponding values in columns [C] to [G]
- Calculation: [Ad] to [Hd]: Sum of the corresponding column in cells [Aa] to [Hc]

Projected Period 2 Costs (July 2014 to July 2014)

				[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
Service Description	Stream	Market Dominant / Competitive?	Product	Projected Per 2 Billable Items	Projected Per 2 Billable (Kg)	Period 2 Domestic Mail Processing	Period 2 Domestic Delivery	Period 2 Domestic Other	Period 2 Air Domestic Transportation	Period 2 Surface Domestic Transportation	Total
[a] EMS	A,EM,BG	Competitive	EMS								
[b] Air Parcels	A,CE,BG	Competitive	ACP								
[c] Surface Parcels	B/C,CN,BG	Competitive	SCP								
[d] Total	n/a		n/a								

Notes

- Calculation: Columns [A] through [B]: Corresponding piece or kilogram information from WP-DeutschePost Competitive- B-08 Columns [H] or [I]
- Calculation: Columns [C] through [E]: Corresponding Cell in Column [A] * Corresponding cell in WP-DeutschePost Competitive- B-11 cells [Fa] to [Hc]
- Calculation: Columns [F] through [G]: Corresponding Cell in Column [B] * Corresponding cell in WP-DeutschePost Competitive-IB-11 Cells [Ia] to [Jc]
- Calculation: Column [H]: Sum of corresponding values in columns [C] to [G]
- Calculation: [Ad] to [Hd]: Sum of the corresponding column in cells [Aa] to [Hc]

Penalties, Costs, Revenue, and Contribution by Service Description

					[A]	[B]	[C]	[D]	[E]	[F]
Stream	Service Description	Market Dominant / Competitive?	Product	Merge	Penalties Assessed?	Penalty Adjustment	Estimated Contract Period Revenue	Estimated Contract Period Cost	Contribution	Cost Coverage
[a]	A,EM,BG	Competitive	EMS	Competitive_EMS	N					
[b]	A,CE,BG	Competitive	Air Parcels	Competitive_ACP	Y					
[c]	B/C,CN,BG	Competitive	Surface Parcels	Competitive_SCP	N					
[d]	Total		n/a							

Notes

Source: [Aa] to [Ac]: Determined in Bilateral Negotiations

Calculation: [Ba] to [Bc]: If Corresponding cell column [A] = 'Y'; Then: ((WP-DeutschePost Competitive-IB-09 [Af] * WP-DeutschePost Competitive- B-09 [Ab] * WP-DeutschePost Competitive-IB-09 [Aa]) + (WP-DeutschePost Competitive-IB-09 [Bf] * WP-DeutschePost Competitive-IB-09 [Bb] * WP-DeutschePost Competitive- B-09 [Ba]) + (WP-DeutschePost Competitive- B-09 [Cf] * WP-DeutschePost Competitive- B-09 [Cb] * WP-DeutschePost Competitive-IB-09 [Ca])) * WP-DeutschePost corresponding cell column [G] + ((WP-DeutschePost Competitive- B-10 [Af] * WP-DeutschePost Competitive-IB-10 [Ab] * WP-DeutschePost Competitive- B-10 [Aa]) + (WP-DeutschePost Competitive- B-10 [Bf] * WP-DeutschePost Competitive- B-10 [Bb] * WP-DeutschePost Competitive- B-10 [Ba]) + (WP-DeutschePost Competitive- B-10 [Cf] * WP-DeutschePost Competitive-IB-10 [Cb] * WP-DeutschePost Competitive- B-10 [Ca])) * WP-DeutschePost Competitive- B-08 corresponding cell column
 Otherwise: 0

Calculation: [Ca] to [Cc]: Corresponding revenue from WP-DeutschePost Competitive- B-08, cells [Ma] to [Mc] - corresponding cell column [B]

Calculation: [Da] to [Dc]: Sum of the Corresponding cost from WP-DeutschePost Competitive-IB-12 Column [H] and WP-DeutschePost Competitive-IB-13 Column [H]

Calculation: [Bd] to [Ed]: Sum of the corresponding column in cells [Ca] to [Ec]

Calculation: Column [E]: Column [C] - Column [D]

Calculation: Column [F]: Column [C] / Column [D]

Costs, Revenue, and Contribution Summary

	[A]	[B]	[C]	[D]	[E]	[F]
Product	Total Pieces	Total Gross Kg	Estimated Contract Period Revenue	Estimated Contract Period Cost	Contribution	Cost Coverage
[a] EMS						
[b] ACP						
[c] SCP						
[d] Total						

Notes:

- Calculation: [Aa] to [Ac]: Sum of total pieces from WP-DeutschePost Competitive-IB-08, columns [D] and [I] for corresponding product group
- Calculation: [Ba] to [Bc]: Sum of total pieces from WP-DeutschePost Competitive-IB-08, columns [C] and [H] for corresponding product group
- Calculation: [Ca] to [Cc]: Total revenue from WP-DeutschePost Competitive-IB-14, column [C] for corresponding product group
- Calculation: [Da] to [Dc]: Total pieces from WP-DeutschePost Competitive-IB-14, column [D] for corresponding product group
- Calculation: [Ad] to [Dd]: Sum of corresponding column in cells [Aa] to [Dc]
- Calculation: Column [E]: Column [C] - Column [D]
- Calculation: Column [F]: Column [C] / Column [D]

ATTACHMENT 1

DEUTSCHE POST AG – 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, represented by Giselle Valera and Franca S. Davis, and Deutsche Post AG ("Deutsche Post"), a company registered in Germany with a registered office at Charles-de-Gaulle-Strasse 20; 53113 Bonn; Germany under registered Number (AG Bonn) HRB 6792, represented by Mr. ~~Dr. Joachim Wessels, Divisional Board Member Mail, Terminal Handling Germany~~, and Mr. Boris Mayer, SVP B2C Parcel International. The USPS and Deutsche Post may be referred to individually as a "Party" and together as the "Parties."

INTRODUCTION

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;

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, Deutsche Post acknowledges and understands that the ability of the USPS to perform under this Agreement may not occur, and in this respect the provisions of Article 3 and 4 shall apply;

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";

USPS and Deutsche Post are postal operators within the meaning of the Universal Postal Convention and Parcel Post Regulations;

Both parties declare that they have full experience, qualified able and willing personnel and supporting infrastructure and facilities to execute this bilateral agreement;

USPS and Deutsche Post agree to deviate from and to amend certain provisions of the 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 ("Sub-Agreement B"), both effective on October 17, 2006, by entering into this bilateral agreement (the "Agreement"). Furthermore the parties to the Agreement will cooperate closely in the interest of further qualitative development of the services forming the subject matter of the Agreement. They will promptly negotiate any necessary and pertinent modifications to the services;

Now, 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 will 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 Deutsche Post and the USPS 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 Deutsche Post by the USPS that all such approvals have been obtained, and the date of notification shall be "the Effective Date," unless an alternative date is proposed in the USPS's notification and agreed to by Deutsche Post in a return communication, in which case that alternative date shall be the Effective Date. Pending the successful fulfillment of the Conditions Precedent in Article 4, the parties intend that this Agreement will become effective on July 1, 2013.
2. The Parties will work together to revise the Accounting Business Rules between the Parties 90 days after implementation 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 ("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 the fulfillment of all Conditions Precedent that are necessary to provide the products or services contemplated under the Agreement, no obligation shall exist for the USPS or Deutsche Post and no benefit or rights granted through this Agreement shall inure to either Party unless and until the Effective Date occurs and upon such occurrence the Condition Precedents shall have been fulfilled.

Article 5: Limitation on Liability and Costs

In the event that the Conditions Precedent are not fulfilled, the USPS and Deutsche Post will have no liability, including no obligation to pay costs associated with any action taken by Deutsche Post or USPS,

respectively, 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 or Deutsche Post, respectively, will 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 include but are not to 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 and Settlement Charge Changes; No Effect on Service Terms

For each of the services with specific terms and conditions set forth in an attachment to this Agreement, the rates and any adjustments to the rates for the services will 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 18 below.
2. All taxes and duties are the sole responsibility of the Party to whom they are duly assessed and shall not be charged to any other Party in any form unless the Parties otherwise provide in an Amendment to this Agreement. Any such Amendment shall be governed by Article 18 below.

Article 8: Customs Inspection

USPS and Deutsche Post bear no responsibility for the disposition of items in the custody of U.S. Customs & Border Protection, or German Customs & Border Protection, respectively. Further, each party understands that all contents of any item, including items that are treated as sealed mail under the other party's regulations, are subject to inbound search and inspection by the respective Customs & Border Protection, regardless of when the party of the destination country elects to conduct verification and acceptance of any inbound items.

Article 9: Termination

1. Either Party may terminate this Agreement to the end of each calendar quarter 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 will be liable to make final settlement of all amounts owing as of the effective date of the termination. Each Party will 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 will 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. Neither Party will be liable to the other for any damages arising from the termination 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. In the event of termination the services specially defined in the EPG Agreement will no longer be provided.

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 method described in the above paragraph proves insufficient to resolve a controversy, the Parties agree that the signatories to this agreement, or their replacements, will provide a written description of the controversy to the other Party and a suggested outcome. They will review the information provided and will attempt in good faith to come to an agreement on the issue through correspondence, oral communications, or informal meetings.
3. If the methods described in the above paragraph prove insufficient to resolve a controversy, the Parties agree to refer that controversy to mediation, which will consist of an informal, nonbinding conference or conferences between the Parties and the mediator, which will perform mediation responsibilities in the English language. The mediator will be selected as mutually agreed by the Parties.
4. With the exception of controversies concerning cost or revenue liability, mediation will provide the sole means for addressing controversies related to this Agreement. If mediation does not resolve such a controversy, the parties may exercise their right to terminate.
5. For controversies related to cost or revenue liability, Deutsche Post and the USPS will first refer the matter to mediation as discussed in the above paragraph. If mediation does not resolve such a controversy, an action relating to cost or revenue liability may be instituted and maintained, in case USPS is the defendant, only in the United States District Court for the District of Columbia, and, in case Deutsche Post is the defendant, only in the District Court for Bonn (civil court of first instance), Germany (Landgericht Bonn). The parties each irrevocably submit to the exclusive personal jurisdiction of the United States District Court for the District of Columbia, and the District Court for Bonn (Landgericht Bonn), respectively, and, to the extent this is permitted by law, waive any objection to the laying of venue in that court, to the convenience of that forum, and to that court's personal jurisdiction over the Parties, including any arguments about sovereign immunity.
6. Notwithstanding the provisions of this Article 10, and without prejudice to Article 12, paragraph 1, in the event of conflict or inconsistency between the provisions of this Article 10 and Article 12, paragraph 1, the provisions of Article 12, paragraph 1 will prevail.

Article 11: Indemnification and Liability

1. The Parties acknowledge that aspects of liability or indemnification (including, but not limited to registered mail and air parcels) not expressly governed by this Agreement or its regulations are subject to the appropriate provisions of the Acts of the Universal Postal Union, 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 Deutsche Post 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 will 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 will 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 will 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, or
 - 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, except to the extent provided in this Agreement.
4. This Agreement does not acknowledge or concede the validity of any claim or the entitlement of any Party to any amount of damages.

Article 12: Language

The official version of this Agreement, including all supporting documentation and correspondence, is in English. The English language will be the controlling language for the purpose of interpreting this Agreement, and all correspondence between the Parties pertaining to this Agreement will 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 will control.

Article 13: Confidentiality Requirements

1. The Parties consider the rate information included in this Agreement to be commercially sensitive information and agree that it should not be disclosed to third parties except as required by law. Deutsche Post and USPS will treat as confidential and not disclose to third parties, absent express written consent by the other Party, or an operative legal requirement, any information related to this Agreement that is treated as non-public by the U.S. Postal Regulatory Commission.
2. Deutsche Post acknowledges that as part of securing approval of this Agreement and in other subsequent regulatory filings, the Agreement and supporting documentation will be filed with the U.S. Postal Regulatory Commission ("Commission") in a docketed proceeding. Deutsche Post authorizes the USPS to determine the scope of information that must be made publicly available under the Commission's rules. Deutsche Post 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, ACR2014, and ACR2015. Deutsche Post has the right, in accordance with the Commission's rules, to address its confidentiality concerns directly with the Commission. The procedure for making an application to the Commission for non-public treatment of materials believed to be protected from disclosure is found at Title 39, Code of Federal Regulations, Section 3007.22, on the Commission's website: www.prc.gov/Docs/63/63467/Order225.pdf. At the request of Deutsche Post, the USPS will notify Deutsche Post of the docket number of the Commission proceeding to establish the rates in this instrument under U.S. law, once that docket number has been assigned.

Article 14: Severability

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

Article 15: Notices

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

To the USPS:

Executive Director, International Strategy and Business Development
United States Postal Service
475 L'Enfant Plaza SW, Room 2P911
Washington, DC 20260-4016

To Deutsche Post:

Mr. Andreas Lemmer
~~Mr. Johann Baumann~~ *Deutsche Post AG*
Charles-de-Gaulle-Strasse 20; 53113 Bonn; Germany
Andreas.Lemmer@DeutschePost.de
~~J.Baumann@DeutschePost.de~~

*Mr. Johann Baumann
Deutsche Post AG, ZG IPP
Saalburgallee 19
60385 Frankfurt; Germany
J. Baumann@DeutschePost.de*

Article 16: Force Majeure

Neither party shall be liable for its failure to perform under the terms of this Agreement due to any contingency beyond its reasonable control, including acts of God, fires, floods, wars, sabotage, accidents, labor disputes or shortages, governmental laws, ordinances, rules and regulations, whether valid or invalid, court orders, whether valid or invalid, inability to obtain material, equipment, or transportation, and any other similar or different contingency.

Article 17: Legal Status of this Agreement

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

Article 18: Amendment

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

Article 19: Assignment

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

Article 20: Applicability of Other Laws

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

2. The Parties recognize that performance under this Agreement may be subject to laws enacted or enforced by governmental entities and is contingent on each Party obtaining all consents, authorizations, orders, or approvals required under applicable law or policy to effectuate the Agreement.
3. The Parties understand that USPS may be required to provide copies of this Agreement to the U.S. Department of State and the U.S. Postal Regulatory Commission. Deutsche Post 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 21: 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 are bound by their commitments under the E-Parcel Group Agreement for the Delivery of Day-Certain Cross-Border Parcels – Core Agreement and Sub-Agreement B to the Agreement for the Delivery of Day-Certain Cross-Border Parcels (collectively, "EPG Agreements"), if applicable, but only to the extent consistent with this agreement. In the event of any inconsistency between this Agreement and a commitment under the EPG Agreements, then this Agreement shall prevail over any such inconsistent terms.
3. The Parties acknowledge that the provisions of the Universal Postal Convention and applicable regulations apply.
4. With the exception of the Agreements mentioned in Paragraphs 2 and 3 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 22: Term

The USPS will notify Deutsche Post of the Effective Date of the Agreement within thirty (30) days after receiving the approval of the entities that have oversight responsibilities for the USPS. In before, USPS shall have no obligation to notify Deutsche Post of the status of the approval process or of potential fulfillment of the approval process. The Agreement will remain in effect from the Effective Date until terminated pursuant to Article 9.

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

The Parties acknowledge that in the service of improving existing international products or developing new international products under this Agreement that such products may be enhanced through the use of co-branding or the use of each Party's trademarks, logos or intellectual property. In such instances, the Parties acknowledge and agree that any use will be subject to separate written agreements. The Parties acknowledge and agree that neither Party will 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 will include but not be limited to any recordation requirements.

Article 24: Survival

The provisions of Articles 5, 9, 10, 11, 12, 13, 14, 15, 21, 22, and 23 shall survive the conclusion or termination of this agreement, as well as any other terms insofar as they apply to the Parties' continuing obligations to one another under the articles listed above.

Article 25: Group Clause with Right to Request

Subject to Universal Postal Union circulars issued by the United States concerning in-bound items tendered by Extraterritorial Offices of Exchange, all companies in the Deutsche Post DHL Group – including all companies affiliated with Deutsche Post AG – will be entitled to call upon the contractual services of USPS on the conditions agreed in the Agreement. For purposes of this Article, a company will qualify as a “Group Company” if it falls under Art. 15 of the German Stock Company Act (§ 15 Aktiengesetz).

Article 26: Records

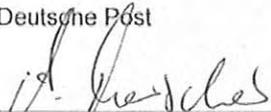
For a period of two years after termination of the Agreement, each Party will retain adequate paper or electronic records of all matters reasonably relevant to the Agreement and its performance of it.

Article 27: Average Weight

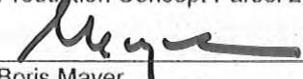
In the event that the Average Weight Per Piece for each mail stream covered by this Agreement increases or decreases by at least 15 percent or greater, each Party will have the right to renegotiate any rate that appears in Appendix 1, and the Parties will negotiate in good faith towards a mutually agreeable resolution. In the event that a mutually agreeable resolution is not reached, as its sole remedy, either Party may exercise its right of termination pursuant to Article 9. For purposes of this Article, Average Weight Per Piece for each mail stream is the total weight of the volume exchanged pursuant to this Agreement for the mail stream divided by the total number of pieces exchanged pursuant to this Agreement for the mail stream.

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

Deutsche Post



Andreas Marschner
Senior Vice President
Production Concept Parcel 2012

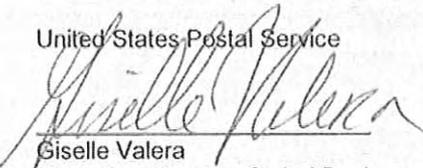


Boris Mayer
Senior Vice President
B2C Parcel International

MAY 31, 2013

Date

United States Postal Service



Giselle Valera
Managing Director, Global Business,
and Vice President

May 31, 2013

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.

US to DE

Service Description	Mail Stream	SDR/piece	SDR/Kg
EMS	A,EMS,All		
Air Parcels	A,CP,All		

DE to US

Service Description	Mail Stream	SDR/piece	SDR/Kg
Air Parcels (EPG, Priority)	A,CP,All	12.15	0.00
SAL Parcels (Economy)	B,CP,All	12.15	0.00
Surface Parcels (Sea)	C,CP,All	12.15	0.00

Note: "EMS" includes Mail Subclasses ED EM and EN. "CP" includes Mail Subclasses CE and CN.

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

EPG Parcels

Any piece corresponding to size limits as set forth in the Multilateral Agreement for the Delivery of Day-Certain Cross-Border Parcels - Core Agreement - dated October 17th 2006 including first, second and third Amendment Agreement and sub agreement B to the Multilateral Agreement (altogether herein referred to as "EPG Agreement").

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 – 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

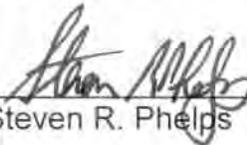
If you dispatch volumes to LAX, then please dispatch 80-89 to this Office of Exchange. Otherwise, 80-99 can all be dispatched to SFO as in the table above.

ATTACHMENT 2

Certification of Prices for the Inbound Competitive Multi-Service Agreement with Deutsche Post

I, Steven R. Phelps, Manager, Sarbanes-Oxley Management Controls & Integration, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Competitive Multi-Service Agreement with Deutsche Post. The prices contained in this agreement were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, issued August 6, 2010 (Governors' Decision No. 10-3).

I hereby certify that the cost coverage for the agreement with Deutsche Post has been appropriately determined and represents the best available information. The prices are in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The prices demonstrate that the agreement should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2012, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from this agreement should be much smaller. The agreement with Deutsche Post should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Steven R. Phelps

ATTACHMENT 3

provide a contribution toward the Postal Service's institutional costs. The prices should thus prevent cross-subsidies from market dominant products. As noted in the certification in Attachment C, entry into agreements pursuant to this Decision should not impair the ability of competitive products as a whole to cover an appropriate share of institutional costs.

No agreement 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).

ORDER

In accordance with the foregoing Decision of the Governors, the formulas set forth herein, which establish prices for the applicable Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, 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

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

2614 Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

2614.1 Description

- a. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators provide prices for acceptance, transportation within the United States, and delivery of any combination of Inbound Air Parcel Post, Inbound Surface Parcel Post, Inbound Direct Entry, and/or Inbound International Expedited Services (Express Mail Service) tendered by foreign postal operators. These constituent services may include other services that the relevant foreign postal operator offers to its customers under differing terms, but that nevertheless are processed and delivered in a similar manner within the United States Postal Service's network. Such agreements 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.
- b. Inbound Competitive Multi-Service Agreements with Foreign Postal Operators may set forth general operating terms and conditions, on-time delivery and scanning service performance targets and standards, specifications for mail product categories and formats, processes for indemnity, and shared transportation arrangements that modify the requirements generally applicable to the services covered by each agreement.
- c. Items tendered under Inbound Competitive Multi-Service Agreements with Foreign Postal Operators items are either sealed or not sealed against inspection, according to the general nature of each underlying service.

2614.2 Size and Weight Limitations

Size and weight requirements are the requirements for Inbound Air Parcel Post at UPU Rates, Inbound Surface Parcel Post (at UPU Rates), Inbound Direct Entry, and Inbound International Expedited Services (Express Mail Service), respectively, subject to any applicable country-specific modifications.

2614.3 Optional Features

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

2614.4

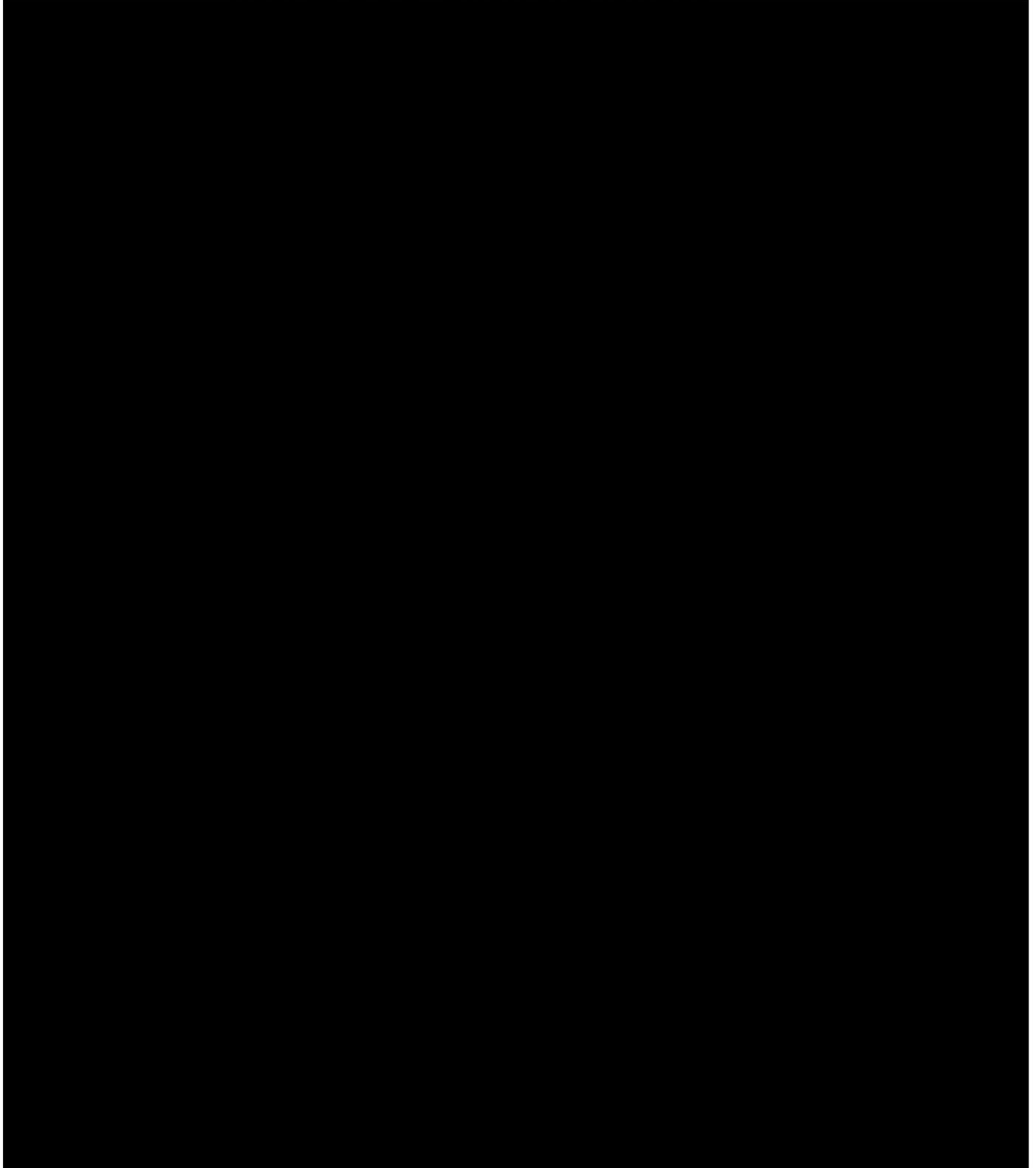
Products Included in Group (Agreements)

- Inbound Competitive Multi-Service Agreements with Foreign Postal Operators 1 (MC2010-X, CP2010-X)

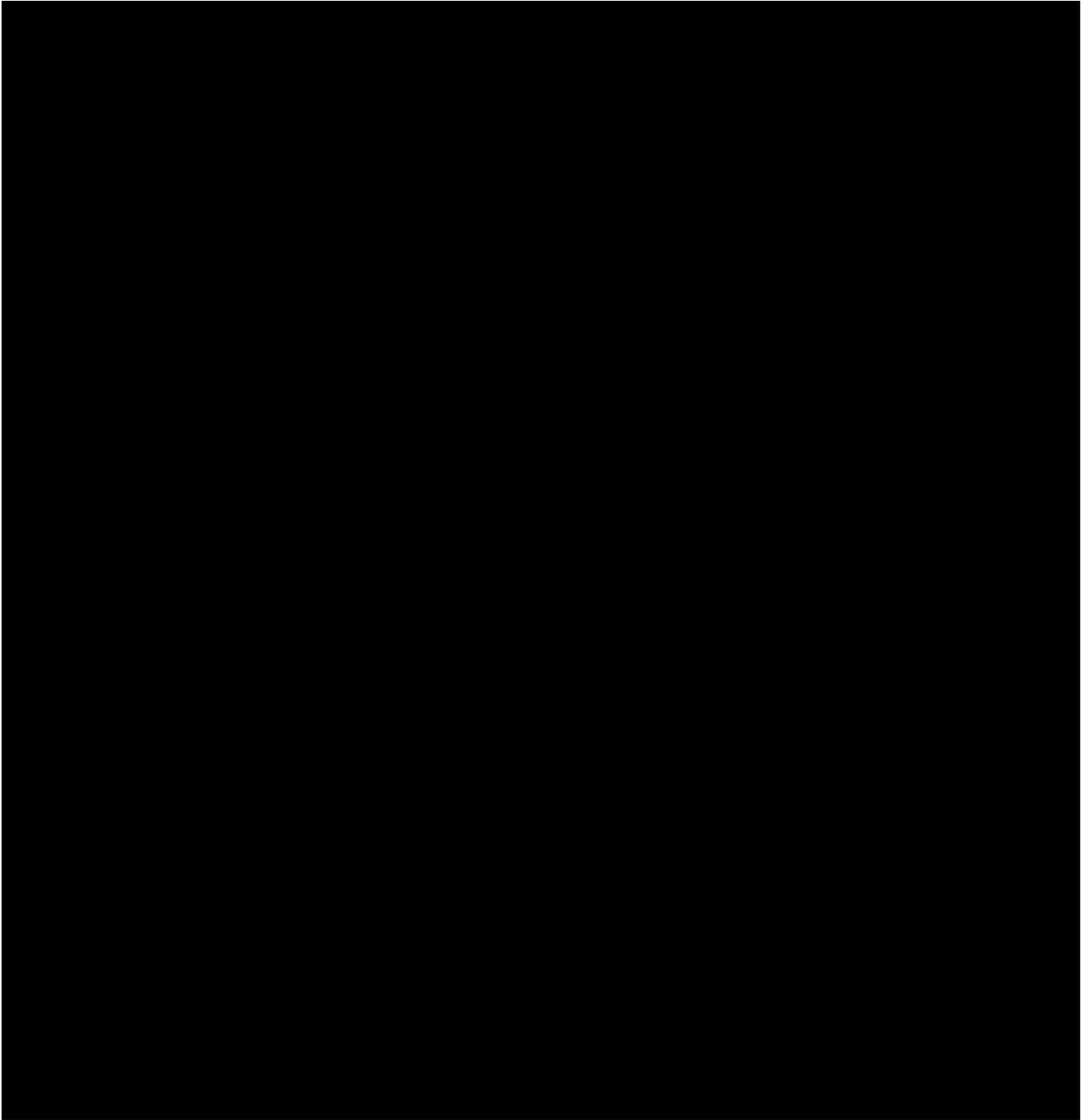
"Restricted and Sensitive Business Information - Do Not Disclose."

Attachment B

**Formulas for Prices Under Applicable Inbound Competitive Multi-Service
Agreements with Foreign Postal Operators**



"Restricted and Sensitive Business Information - Do Not Disclose."



Attachment C

Certification of Prices for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators

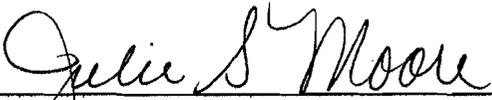
I, Joseph Moeller, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the price formulas for Inbound Competitive Multi-Service Agreements with Foreign Postal Operators, which are set forth in Attachment B. I hereby certify that these formulas adequately represent all necessary cost elements. If the Postal Service were to enter into agreements and offer services that set prices above the price floors, the Postal Service would be in compliance with 39 U.S.C. § 3633(a)(1), (2), and (3). The price floor formulas are designed to ensure that each agreement and service should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2009, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Competitive Multi-Service Agreements with Foreign Postal Operators should be much smaller. Even if all such agreements are signed with prices at the price floor, they should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.



Joseph Moeller

**CERTIFICATION OF GOVERNORS' VOTE
IN THE
GOVERNORS' DECISION NO. 10-3**

I hereby certify that the Governors voted on adopting Governors' Decision No. 10-3, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.



Julie S. Moore
Secretary of the Board of Governors

Date: 8-9-2010

ATTACHMENT 4

ATTACHMENT 4

UNITED STATES POSTAL SERVICE APPLICATION FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21, 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 bilateral agreement between Deutsche Post and the United States Postal Service 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 Notice as Attachment 1. 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).¹ Because the portions of the materials that the Postal Service is

¹ In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed

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. The Postal Service identifies as an appropriate contact person Ms. Franca Davis, Executive Director, International Strategy and Business Development. Ms. Davis' phone number is (202) 268-5459, and her email address is Franca.S.Davis@usps.gov.²

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, PRC Docket No. RM2008-1, Mar. 20, 2009, at 11.

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

(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. 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 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, and to gain intelligence about product development efforts. 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. If this information were made public, the Postal Service's competitors would have the advantage of being able to determine the absolute floor for Postal Service pricing, in light of statutory, regulatory, or policy constraints. Thus, competitors would be able to take advantage of the information to offer lower pricing to postal customers, while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services markets. Given that these spreadsheets are filed in their native format, the Postal Service's assessment is that the likelihood that the information would be used in this way is great.

Potential customers could also deduce from the rates provided in the agreement or from the information in the workpapers whether additional margin for net contribution exists under the 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 profit 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, as well as the revenue it receives for delivery of outbound competitive services dispatched by the Postal Service. The competitor uses that information as a baseline to negotiate and 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.