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

COMPETITIVE PRODUCT PRICES INBOUND AIR PARCEL POST (AT UPU RATES) (MC2010-11)	Docket No. CP2014-52

NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING CHANGES IN RATES NOT OF GENERAL APPLICABILITY FOR INBOUND AIR PARCEL POST
(June 11, 2014)

In accordance with 39 C.F.R. § 3015.5, the United States Postal Service (Postal Service) hereby gives notice of a change in rates not of general applicability for Inbound Air Parcel Post (at Universal Postal Union (UPU) Rates). Prices and classifications not of general applicability for Inbound Air Parcel Post (at UPU Rates) were previously established by the Decision of the Governors of the United States Postal Service on the Establishment of New Prices and Classifications for Inbound Air Parcel Post (at UPU Rates), issued on November 16, 2009 (Governors' Decision No. 09-15).[1] The Postal Regulatory Commission (Commission) previously determined that Inbound Air Parcel Post (at UPU Rates) is appropriately classified as a competitive product and that an initial review of the rates indicated compliance with statutory requirements.[2] With this filing, the Postal Service notifies the Commission of changes to those rates that are intended to take effect July 1, 2014.

[1] A redacted copy of this decision appears as Attachment 2 to this Notice. An unredacted copy of the decision was filed under seal with the Request of the United States Postal Service to Add Inbound Air Parcel Post at Universal Postal Union (UPU) Rates to the Competitive Products List, Notice of Establishment of Prices and Classifications Not of General Applicability for Inbound Air Parcel Post at UPU Rates Established in Governors' Decision No. 09-15, and Application for Non-Public Treatment of Materials Filed Under Seal, Docket Nos. MC2010-11 and CP2010-11, November 17, 2009.
[2] PRC Order No. 362, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, Docket Nos. MC2010-11 and CP2010-11, December 15, 2009, at 8-9.

The rates and supporting documents establishing compliance with 39 U.S.C. § 3633(a)(2) and 39 C.F.R. § 3015.5 are being filed separately under seal with the Commission. The Postal Service's Application for Non-public Treatment of those materials is included with this Notice as Attachment 1. A redacted copy of the Governors' Decision establishing the classification is included as Attachment 2. A redacted version of the new rates is included as Attachment 3, and the certified statement required by 39 C.F.R. § 3015.5(c)(2) is included as Attachment 4. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

I. Explanation of Classification and Rates

No changes to the classification of Inbound Air Parcel Post (at UPU Rates) are included with this Notice. The Postal Service incorporates by reference the explanations of Inbound Air Parcel Post (at UPU Rates) contained in its Request and other materials filed in Docket Nos. MC2010-11 and CP2010-11, where the Postal Service explained the UPU Postal Operations Council's mechanism for setting base rates for inbound air parcel post and the formal nature of the Governors' Decision establishing those rates for purposes of statutory compliance. As described therein, because 39 U.S.C. § 3632 requires prices for competitive products not of general applicability to be established by the Governors, the Governors formally "established" the prices for Inbound Air Parcel Post (at UPU Rates) as the highest possible inward land rates for which the Postal Service is eligible according to the UPU's Parcel Post Regulations.[3] The prices presented here comport with the Governors' Decision, in that

[3] Article RC 193.3 allows modifications to the bonus payment portion of inward land rates to be implemented twice each year on January 1 and July 1. The UPU's International Bureau will confirm to all

they are the highest possible inward land rates for which the Postal Service was eligible based on inflation increases and other factors.

II. Application for Non-Public Treatment

The Postal Service maintains that certain portions of the Governors' Decision, the new rates, and related financial information should remain confidential. The Postal Service provides its Application for Non-Public Treatment of materials filed under seal as Attachment 1.

III. Conclusion

For the reasons discussed above, the Postal Service has established that these new rates for Inbound Air Parcel Post (at UPU Rates) are in compliance with the requirements of 39 U.S.C. § 3633(a)(2). Accordingly, the Postal Service respectfully submits that it has met its burden of providing notice to the Commission of changes in rates within the scope established by Governors' Decision No. 09-15, as required by 39 U.S.C. § 3632(b)(3).

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Anthony F. Alverno
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June 11, 2014

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designated operators by March 31 any changes to the inward land rates that apply beginning July 1 of that same year.

APPLICATION OF THE UNITED STATES POSTAL SERVICE 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 establishment of prices and classifications not of general applicability for Inbound Air Parcel Post (at UPU Rates) established in Governors' Decision No. 09-15. The rates and supporting documents establishing compliance with 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7 are being filed separately under seal with the Commission. Redacted copies of these materials are filed publicly, including a redacted version of supporting financial documentation filed as a separate Excel document.

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 under good business practice would not be publicly disclosed. 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 filing only under seal fall within the scope of

[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 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.

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 the UPU rates such as those at issue here, the Postal Service believes that the postal operators whose governments are members of the UPU are the only third parties with a proprietary interest in the materials. 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.[2] The Postal Service identifies as an appropriate contact person Peter Chandler, Acting Manager, UPU Relations, International Postal Affairs. Mr. Chandler's phone number is (202) 268-5549, and his email address is peter.r.chandler@usps.gov.

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). 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

[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 response might be construed as beyond the scope of this exception, the Postal Service respectfully requests a waiver that would allow it to designate a Postal Service employee as the contact person under these circumstances, in light of the practical considerations outlined herein.

rules, the Postal Service respectfully requests a waiver that would allow it to forgo providing a notice to each postal operator. It is impractical to communicate with dozens of operators in multiple languages about this technical regulatory matter.

(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 Notice filed in this docket, the Postal Service included the new rates and supporting documentation in the form of financial work papers. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the rate chart and related financial information should remain confidential.

The redactions applied to the rate chart and related financial work papers protect commercially sensitive information such as rates, underlying costs and assumptions, pricing formulas, and cost coverage projections. To the extent practicable, the Postal Service has limited its redactions 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 rate chart and related financial work papers 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 pricing 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 rates charged by the Postal Service to foreign postal operators 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 this to be a highly probable outcome that would result from public disclosure of the redacted material.

The financial work papers include specific information such as costs, projections of variables, and cost coverage. 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 assess the Postal Service costs and pricing. Thus, competitors would be able to take advantage of the information to offer lower pricing to customers (which can include foreign posts, which are not required to use the Postal Service for delivery of parcels destined to the United States), while subsidizing any losses with profits from other customers. Eventually, this could freeze the Postal Service out of the relevant inbound delivery services market. Additionally, foreign postal operators or other potential customers could use costing information to their advantage in negotiating the terms of their own agreements with the Postal Service. 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 (which can include foreign posts) could also deduce from the rates provided in the work papers whether additional margin for net profit exists. From this information, each foreign postal operator or customer could attempt to negotiate ever-decreasing prices, such that the Postal Service's ability to negotiate competitive yet financially sound rates would be compromised.

Volume and price information included in the financial spreadsheets also consists of sensitive commercial information of foreign postal operators. Disclosure of such

information could be used by competitors of a postal operator to assess the operators' underlying market size and its costs, and thereby develop a benchmark for the development of a competitive alternative.

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

Harm: Public disclosure of information in the rate chart or financial work papers would be used by competitors and customers to the detriment of the Postal Service.

Hypothetical: A competing package delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. It analyzes the work papers to determine what the Postal Service would have to charge its customers (which may include foreign posts) in order for the Postal Service to meet its minimum statutory obligations for cost coverage and contribution to institutional costs. The competing package delivery service then sets its own rates for products similar to what the Postal Service offers other posts under that threshold and markets its ability to guarantee to beat the Postal Service on price for inbound air parcels. 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 inbound air parcel delivery market.

Harm: Public disclosure of information in the rate chart or financial work papers would be used by a foreign postal operator's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial work papers from the Postal Regulatory Commission's website. The competitor analyzes the work papers to assess a foreign postal operator's underlying costs and volumes for the corresponding products. The

competitor uses that information to assess the market potential and negotiate with U.S. customs brokers and freight companies to develop lower-cost alternatives.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the redacted portions of the materials filed non-publicly should be withheld from persons involved in competitive decision-making in the relevant market for inbound parcel delivery (including both private sector integrators and foreign postal operators), as well as their consultants and attorneys. Additionally, the Postal Service believes that foreign postal operators, as well as actual or potential customers of a postal operator for this or similar products should not be provided access to the non-public financial work papers.

(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.

Inward land rates are not available publicly. Rather, they are circulated to postal operators and government ministries through UPU International Bureau circular and accessible on a password-protected website. Hence, they are considered by postal operators to be commercially sensitive.

DECISION OF THE GOVERNORS OF THE UNITED STATES POSTAL SERVICE ON THE ESTABLISHMENT OF PRICES AND CLASSIFICATIONS FOR INBOUND AIR PARCEL POST AT UPU RATES (GOVERNORS' DECISION NO. 09-15)

November 16, 2009

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 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 Inbound Air Parcel Post at Universal Postal Union (UPU) Rates for which there is no contractual relationship governing the price with the tendering postal operator. The classification language for this mail is described in Attachment A.[1]

Air parcels consist of inbound parcels eligible to receive transportation by air, as opposed to by surface. Under the Universal Postal Convention, postal operators tender air parcels to each other for delivery in the destination country at prices set by the UPU Postal Operations Council, except where postal operators have negotiated alternative prices for air parcels. The method by which prices are established is set forth in the UPU Parcel Post Regulations. Each year, UPU members may elect to send the UPU's secretariat inflation information pursuant to the Parcel Post Regulations. The Parcel Post Regulations permit members to seek an "inflation-linked increase" to its base inward land rate up to a cap of 5 percent. UPU members may qualify for "bonuses" to their base rates based if they provide certain value-added services, such as home delivery.

[1] The classification for Inbound Air Parcel Post is contained in the Mail Classification Schedule language originally proposed by the Postal Service, as modified in Attachment A. See United States Postal Service Submission of Additional Mail Classification Schedule Information in Response to Order No. 43, PRC Docket No. RM2007-1, November 20, 2007.

The United States completes a survey each year to qualify for the bonus to which it is eligible. The end of each year, the UPU's secretariat publishes each member's inward land rates based on its inflation information and questionnaire responses. New rates are implemented at the beginning of the next calendar year and remain in effect until the end of that calendar year.

We have reviewed the accompanying classification changes, certification and management's analysis which are attached to this decision, and have evaluated the method by which prices for inbound air parcels are established. We conclude that the rates should satisfy the requirements of 39 U.S.C. §§ 3632-3633 and 39 C.F.R. §§ 3015.5 and 3015.7. We establish the inward land rates for which there is no contractual relationship with the tendering postal operator at the highest possible inward land rate for which the United States is eligible under the Parcel Post Regulations. We also approve the classification changes, finding that they are appropriate and consistent with the regulatory criteria, as indicated by management. Pursuant to this decision, each year, management may file the applicable inward land rates for Inbound Air Parcel Post at UPU Rates with the Postal Regulatory Commission.

ORDER

In accordance with the foregoing Decision of the Governors, the prices for Inbound Air Parcel Post at UPU Rates and the changes in classification necessary to implement those prices are hereby approved and ordered into effect. We direct management to file appropriate notice of these changes with the Postal Regulatory Commission.

Prices and classification changes established pursuant to this Decision will take effect on January 1, 2010.

By the Governors:

Carolyn Lewis Gallagher
Chairman

Attachment A
Description of Inbound Air Parcel Post at UPU Rates

2220 Inbound Air Parcel Post at UPU Rates

2220.1 Description

a. Inbound ~~International~~ Air Parcel Post service is designed for the carriage of postal parcels that are tendered by foreign postal operators and eligible for transportation by air.

~~b. Written correspondence having the nature of current and personal correspondence is not permitted in Inbound International Air Parcel Post.~~

~~c~~b. Inbound ~~International~~ Air Parcel Post service, with the exception of transit mail, is not sealed against inspection.

~~d~~c. Single-piece ~~i~~Inbound ~~a~~Air ~~p~~Parcel ~~p~~Post at UPU Rates is subject to the provisions of the Universal Postal ~~Union~~ Convention and the Universal Postal Union Parcel Post Regulations. Inbound ~~a~~Air ~~p~~Parcel ~~p~~Post at UPU Rates may also be covered under bilateral or multilateral agreements.

~~e~~d. Unless otherwise specified, reciprocal indemnity based on the weight of the parcel, is included. Limits of indemnity based on weight correspond to the outbound limitations for Priority Mail International specified in the International Mail Manual.

e. Inbound Air Parcel Post at UPU Rates includes transit revenue for air parcels.

2220.2 Size and Weight Limitations

	Length	Height	Thickness	Weight
Minimum	5.5 inches	none	3.5 inch	none
Maximum	42 inches			70 pounds
	79 inches in combined length and girth			
	~~For circular parcels:~~ ~~a length plus diameter of 64 inches~~			

2220.3 Minimum Volume Requirements

	Minimum Volume Requirements

Inbound Air Parcel Post at UPU Rates	none

2220.4 [Reserved] ~~Price Categories~~

~~The following price categories are available for the product specified in this section:~~

- ~~UPU – Inward Land Rates~~
  ~~Payment for processing inbound single-piece air parcel post is made under UPU inward land rates. See Universal Postal Union International Bureau Circulars.~~

- ~~Bilateral/Multilateral Agreements~~

  - ~~Royal Mail Group Inbound Air Parcel Post Agreement~~
    ~~This agreement governs the exchange of inbound air parcel post from the United Kingdom to the U.S. In particular, the agreement establishes inward land rates for delivery of inbound air parcel post.~~

  - ~~E Parcel Group~~
    ~~This agreement provides for service standards, tracking, tracing, and charges for delivery of outbound and inbound air parcels and EMS destined to and originating in certain European countries.~~

  - ~~Canada Post Bilateral Agreement~~
    ~~This agreement governs the exchange of air and surface parcel post mail between the U.S. and Canada. In particular, the agreement provides charges for delivery of outbound and inbound air and surface parcel post.~~

2220.5 Optional Features

The following additional postal services may be available in conjunction with the product specified in this section:

- Inbound International Ancillary Services (2250)
  - Inbound International Return Receipt (2250.3)
  - Inbound International Insurance (2250.5)
  - Customs Clearance and Delivery Fee (2250.6)

2220.6 Prices

Foreign postal operators ~~administrations~~ pay the Postal Service inward land rates for the delivery of inbound mail. The Universal Postal Union Postal Operations Council sets the amount paid for incoming air parcel

flows tendered by postal operators with which there is no contractual relationship governing the applicable rate. ~~is set by the Universal Postal Union Postal Operations Council. Prices may also be set by bilateral or multilateral agreements.~~

Attachment B

Certification of Prices for Inbound Air Parcel Post at UPU Rates

I, W. Ashley Lyons, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for Inbound Air Parcel Post at UPU Rates. I hereby certify that the prices for Inbound Air Parcel Post at UPU Rates are in compliance with 39 U.S.C. § 3633 (a)(1), (2), and (3). The prices demonstrate that Inbound Air Parcel Post at UPU Rates should cover its attributable costs and preclude the subsidization of competitive products by market dominant products. In Fiscal Year 2008, all international competitive mail accounted for a relatively small percentage of the total contribution by all competitive products. Contribution from Inbound Air Parcel Post at UPU Rates should be even smaller. Inbound Air Parcel Post at UPU Rates should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

W. Ashley Lyons

ATTACHMENT C

MANAGEMENT ANALYSIS OF INBOUND AIR PARCEL POST AT UPU RATES

This analysis describes the procedures for setting inward land rates, which consist of charges that foreign posts pay for delivery of inbound international parcels in the United States, and identifies the resulting inward land rates for calendar year 2010. As background, the United States receives inbound parcels by both air and surface from Universal Postal Union (UPU) members at inward land rates. Surface parcels tendered at UPU rates are categorized by the Postal Regulatory Commission as market dominant, while surface parcels tendered at negotiated rates and all air parcels (whether tendered at inward land rates or negotiated rates) are classified as competitive. For both air and surface parcels, inward land rates are set by the Postal Operations Council, a body of the UPU, according to a formula in the UPU Convention and UPU Parcel Post Regulations.

Beginning in 2006, the Parcel Post Regulations established a base rate for each postal operator's inward land rates, which consists of 71.4 percent of the published inward land rate that the member charged other operators in 2004. Each year, members may qualify for "bonus" percentages, which are added to the base rate, if they offer value added services, as follows:

Service Offered	Bonus Percentage
Track and Trace	10%
Provision of delivery information at a 90% performance level	5%
Active transmission of certain scans based on standard barcode	5%
Active transmission of dispatch-level information using prescribed messaging software	5%
Home delivery	5%
Delivery standards for publication in the Parcel Post Compendium	5%
UPU common Internet-based Inquiry System to handle all parcels inquiries at a 95% performance level	5%

In addition, each year, UPU members may send inflation information to the UPU International Bureau, pursuant to the Parcel Post Regulations. The Parcel Post Regulations permit members to seek an "inflation-linked increase" in their base inward land rates.[1] Members are required to provide documentary evidence of inflation to the International Bureau by August 31 of the current year in order to avail themselves of an increase in the following calendar year. The information the United States has furnished to date consists of information about the U.S. consumer price index for all urban consumers (CPI-U) for the most recent annual period (July to June).

[1] Inflation-linked adjustments are capped at 5% per year according to UPU Parcel Post Regulations.

By the end of September, the International Bureau publishes each member's inward land rates based on its inflation information and questionnaire responses. New rates are implemented at the beginning of the next calendar year and remain in effect until January 1 of the following year.

On August 7, 2009, the Postal Service submitted formal documentation to the UPU in support of an inflation-linked adjustment for the inward land rate it receives from other postal administrations. The Postal Service simultaneously transmitted its responses to the UPU survey to justify all bonus payments. On October 12, 2009, the UPU International Bureau advised the United States that the inward land rate applicable to its inbound air parcels would be [redacted] per item plus [redacted] per kilo special drawing rights (SDRs).[2]

The inward land rate calculation for 2010 is shown below. All rates are shown in SDRs. One SDR is equivalent to $1.5967 as of October 22, 2009.

Parcels	USA	2004 rate	2009 rate	Base rate with inflation	Bonuses 1 to 4: 40%	**Rate for 2010**
Air	per parcel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	per kilo					

The cost coverage for inbound air parcels at the 2010 inward land rates is estimated at [redacted]. Management anticipates that in future years, the Parcel Post Regulations will yield inward land rates for incoming air parcels to the United States that will cover costs, as long as inflation remains at or below the inflationary cap in the Parcel Post Regulations.

[2] SDRs are a unit of value derived from a basket of currencies, administered by the International Monetary Fund, and used by many international organizations.

CERTIFICATION OF GOVERNORS' VOTE IN THE GOVERNORS' DECISION NO. 09-15

I hereby certify that the Governors voted on adopting Governors' Decision No. 09-15, and that, consistent with 39 USC 3632(a), a majority of the Governors then holding office concurred in the Decision.

Julie S. Moore

Date: 11-16-09

Julie S. Moore
Secretary of the Board of Governors

Inbound Air Parcel Post (at UPU Rates)
Rates to Become Effective July 1, 2014

Rate per item	Rate per kilogram
[redacted]	[redacted]

Certification of Prices for the Inbound Air Parcel Post at UPU Rates

I, Steven Phelps, Manager, Regulatory Reporting and Cost Analysis, Finance Department, United States Postal Service, am familiar with the prices for the Inbound Air Parcel Post at UPU Rates. The prices were established by the Decision of the Governors of the United States Postal Service on the Establishment of Prices and Classifications for Inbound Air Parcel Post at UPU Rates, issued November 16, 2009 (Governors' Decision No. 09-15).

I hereby certify that the numerical cost values underlying the prices for Inbound Air Parcel Post at UPU Rates are the appropriate costs to use in the formulas and represents the best available information. The prices demonstrate that Inbound Air Parcel Post at UPU Rates 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 Inbound Air Parcel Post at UPU Rates should be even smaller. Inbound Air Parcel Post at UPU Rates should not impair the ability of competitive products on the whole to cover an appropriate share of institutional costs.

Steven Phelps

Steven Phelps

6/9/14

Date