

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

COMPETITIVE PRODUCT PRICES
INBOUND EMS 2
(MC2009-10)

Docket No.
CP2014-58

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S
INFORMATION REQUEST NO. 1**
(July 25, 2014)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, issued on July 22, 2014. Each question is stated verbatim and followed by the response. As Attachments 1 and 2 of this document contain commercially sensitive information, Attachment 3 of this document is an application for non-public treatment regarding the prior two attachments.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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July 25, 2014

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1

1. The financial workpapers submitted in this docket do not appear to model potential financial penalties that would apply under the FY 2015 EMS Cooperative Pay-for-Performance Plan if the Postal Service does not meet specified service features. Any financial penalties have the potential to reduce cost coverage for Inbound EMS 2.
 - a. Please confirm whether the financial workpapers include any modeling of potential financial pay-for-performance penalties as in similar filings from previous years. If they do include such modeling, please identify where it is located in the workpapers.
 - b. Please confirm whether the Postal Service received any financial penalties for Inbound EMS 2 in CY 2013 under the CY 2013 EMS Cooperative Pay-for-Performance Plan. If yes, please provide the Postal Service's EMS Cooperative Pay-for-Performance Report Card for CY 2013, CY 2014 Q1, and CY 2014 Q2 (if available).
 - c. Please provide the CY 2015 EMS Cooperative Pay-for-Performance Plan that describes any potential financial penalties or bonuses to be applied to Inbound EMS 2 based on meeting specified service features in CY 2015. If this plan is not yet available, please provide the CY 2014 EMS Cooperative Pay-for-Performance Plan.

RESPONSE:

- a. The financial workpapers do not include modeling of the potential financial pay-for-performance penalties, and no such modeling has been done for EMS rates in previous year.
- b. The Postal Service received financial penalties for Inbound EMS 2 in CY 2013. The Postal Service's EMS Cooperative Pay-for-Performance Report Cards for CY 2013 and CY 2014 Q1 are Attachment 1 to this document. The EMS Cooperative Pay-for-Performance Report Card for CY 2014 Q2 is not yet available.
- c. The CY 2015 EMS Cooperative Pay-for-Performance Plan is not yet available. The CY 2014 EMS Cooperative Pay-for-Performance Plan is Attachment 2 to this document.

1. Delivery Performance

Indicator	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Score
Delivery on-time					
Delivery 1 day late					
Delivery 2 days late					
Delivery 3 days late					
Delivery more than 3 days late					
No delivery information					
Items Held in Customs					

3. Call Center performance

Indicator	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Score
Response on-time through Rugby					
Phone answered within 20 seconds					
Phone answered in between 20 seconds and 1 minute					
Phone busy					
Phone not answered					
Accessibility by e-mail 24 hours a day					
Response by e-mail within 24 hours					

2. Tracking

Indicator	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Score
EMA over EMC					
EMC over EMA					
EMD over EMC					
EMC over EMD					
EMF over EME					
EMF over EMD					
EMH/EMI over EMD					
EMH events with reason code					
EMD over EMH/EMI					
Transmission on-time					
RESDES over PREDESv2					
PREDES over number of partners					
RESCON over PRECON					
Missing EMH/EMI events					
No delivery zone indicator					
No Office of Exchange Code					
EMH/EMI before EMD					
No Standard					

4. EMS Customs Information

Indicator	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Overall customs score				

5. EMS Service Information

Indicator	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Annual Score
Provision of Written Proof of Delivery -					
EMS Operational Guide update					
Participation in EMS Pay-for-Performance					
Percentage of inbound traffic exchanged under PFP					



EMS Cooperative Report Cards

Prepared by PricewaterhouseCoopers

Period

**1. Quarter 2014
Aggregate Report Card**

EMS Operator

United States of America

1. Delivery Performance

Indicator	Current result	Last quarterly result	Current global result
Delivery on-time			
No delivery information			
Items Held in Customs			

Results based on information provided by International Postal Corporation (PC) using systems validated by PricewaterhouseCoopers (PwC). PwC is not responsible for the data shown in the results.

2. Call Center performance

Information published in the EMS Operational Guide	Current Result
Phone number	<input checked="" type="checkbox"/>
E-mail	<input type="checkbox"/>

Indicator	Current result	Last quarterly result	Current global result
Phone answered within 20 seconds			
E-mail answered			
Response on-time through Rugby System			

Results based on measurements/test carried out by PwC.

3. Tracking

Indicator	Current result	Last quarterly result	Current global result
EMA over EMC			
EMD over EMC			
EMF over EME			
EMH/EMI over EMD			
EMH events with reason codes			
Transmission on-time			
REDES over PREDES			
PREDES over number of partners			
RESCON over PRECON			
Missing EMH/EMI events			
No delivery zone indicator			
No Office of Exchange Code			
EMH/EMI before EMD			
No Standard			

Results based on information provided by IPC using systems validated by PwC. PwC is not responsible for the data shown in the results.

4. EMS Customs Information

Indicator	Current result	Last quarterly result
Overall customs score		

Results based on information provided by the EMS Unit. PwC is not responsible for the data shown in the results.

5. EMS Service Information

Indicator	Current result
Provision of Written Proof of Delivery - WPOD	Yes
EMS Operational Guide update	Yes
Participation in EMS Pay-for-Performance	Yes
Percentage of inbound traffic exchanged under Pay-for-Performance	

Results based on information provided by the EMS Unit using procedures validated by PwC.



Report 1.5 - Aggregated



Pay-for-performance Plan 2014

EMS Unit – EMS Cooperative

Berne, 1 January 2014



Article 1

Definitions

- a "Participating operator" means an EMS operator that is a member of the EMS Cooperative that is eligible to apply the EMS Pay-for-performance Plan, as provided in article 2, and that adheres to the provisions of the Plan.
- b "EMD event" means the date and time that an EMS item is received at the destination office of exchange.
- c "EME event" means the date and time that an EMS item is handed over to Customs.
- d "EMF event" means the date and time that an EMS item is dispatched from the destination office of exchange, if appropriate, after passing through Customs.
- e "EDH event" means the date and time of the arrival of an item at a collection point for pick-up.
- f "EMH event" means the date and time of an attempted, but unsuccessful delivery of an EMS item.
- g "EMI event" means the date and time of a successful delivery of an EMS item.
- h "On-time transmission" means transmission of data related to [REDACTED]
- i "Delivery standards" means a definition of the delivery service provided in sufficient detail to allow EMS operators to understand the service offered and to schedule export dispatches. Delivery standards must be validated by the EMS Cooperative.
- j "Validated delivery standards" means delivery standards defined in a way that allows delivery performance measurement by the model used by the monitoring organization for the EMS Cooperative. The definition will be confirmed by the EMS Unit and the monitoring organization and agreed to by the participating operator.
- k "On-time delivery" means an attempted or successful delivery in accordance with a participating operator's validated delivery standards.
- l "Transmission of sufficient data in its EMS event messages" means transmission of [REDACTED]

Article 2

Eligibility

- a An EMS operator that fulfils the requirements below shall be considered eligible to be a participating operator:
 - 1 membership of the EMS Cooperative;
 - 2 use of the UPU standard EMS identifier and barcode on 100% of its outward EMS items;
 - 3 transmission of sufficient data in its EMS event messages so that its delivery performance may be measured against its validated delivery standards;
 - 4 obtainment of validated delivery standards by the EMS Unit.
- b Eligibility of an EMS operator to become a participating operator in this Plan shall be confirmed by the EMS Unit of the EMS Cooperative according to the procedure below:
 - 1 when an EMS operator fulfils all the requirements specified in article 2a, pay-for-performance reports are produced;
 - 2 the EMS Unit shall analyze the first pay-for-performance report produced and shall notify the results of the analysis to the EMS operator;
 - 3 once the EMS Unit has provided the EMS operator with the first pay-for-performance report analysis, it shall notify all EMS Cooperative members that the EMS operator is eligible to become a participating operator.

Article 3
Delivery charges

- a The EMS delivery charges applied by participating operators during a given year to EMS items delivered under the EMS Pay-for-performance Plan shall be those in effect on 1 January of that year.
- b A participating operator may only increase its EMS delivery charges by notifying the UPU International Bureau of the increase by 31 August of the year prior to that during which the increase will take effect. Participating operators may, however, reach bilateral agreements concerning delivery charges.

Article 4
Calculation of EMS inter-operator payments in the Pay-for-performance Plan

- a EMS inter-operator delivery payments shall be based on gross flows of EMS traffic between participants in the EMS Pay-for-performance Plan.
- b The gross flow of items containing documents and merchandise shall be calculated separately.
- c The percentage of the delivery charge to be applied between participating operators in the EMS Pay-for-performance Plan shall be based on [REDACTED]
- d If an item is handed over to Customs, an EME event, followed by an EMF event when the item is released from Customs, should be transmitted.

- e [REDACTED]
- f [REDACTED]

- g The percentage of delivery charge paid for penalized items and the incentive threshold shall be as follows:

<i>Year</i>	<i>Percentage delivery charge paid for penalized items below threshold</i>	<i>Threshold</i>
2014	[REDACTED]	[REDACTED]
2015	[REDACTED]	[REDACTED]

- h When an EMS operator applies the EMS Pay-for-performance Plan 2014, the percentage of the delivery charge, to be applied reciprocally, shall be as shown in the table below:

<i>EMD event</i>	<i>EDH/EMH/EMI event</i>	<i>On-time transmission of EDH/EMH/EMI event</i>	<i>On-time delivery</i>	<i>Percentage of delivery charge for items below the incentive threshold</i>
[REDACTED]				

¹ According to table (article 4, item g.).

- i For EMS operators that apply the EMS Pay-for-performance Plan 2014, the incentive threshold shall be set at [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
- j In 2014, the minimum amount that a destination EMS operator shall receive is [REDACTED] of that EMS operator's EMS delivery charge. This relates to items [REDACTED]
[REDACTED]
- k Each participating operator applying the EMS Pay-for-performance Plan shall receive a quarterly payment document showing the number of items for which the EMD event was transmitted, the number of items delivered in accordance with each participating operator's validated delivery standards, and the number of items for which EDH, EMH, and EMI events were transmitted on time.
- l If a participating operator pays a separate delivery charge for documents and for merchandise, it shall transmit the necessary data, PREDES message version 2, including enough information to distinguish between documents and merchandise so that a separate quarterly payment document for document and merchandise items may be produced. If the participating operator does not transmit the necessary data to produce a separate quarterly payment document for document and merchandise items, all items shall be considered as merchandise.
- m Any two participating operators which have agreed bilaterally on a per item per kilogramme rate for either one or both operators shall settle the per item component of the rate quarterly following normal pay-for-performance procedures. The per kilogramme component of the rate shall be settled annually, using methods agreed bilaterally by both participating operators.
- n Two EMS operators with only unilateral traffic may also choose to enter this Pay-for-performance Agreement, in which case the Pay-for-performance Plan 2014 shall be applied in its current form to settle accounts between them.
- o Two EMS operators exchanging fewer than [REDACTED] items per quarter may agree bilaterally to forgo quarterly accounting and elect to carry out the accounting on an annual basis. Annual accounting shall be carried out using the four quarterly invoices, however only one annual settlement shall be made.

Article 5

Delivery standards

- a Participating operators may revise their validated delivery standards [REDACTED].
- b Participating operators wishing to revise their validated delivery standards should present the new standards to the EMS Unit for revalidation, using the revalidation package published on the EMS Cooperative website (www.ems.coop).
- c The EMS Unit shall work with the participating operator to complete the revalidation, which shall be carried out once the participating operator has signed and returned the acceptance form for the new validated delivery standards.
- d The implementation of the new validated delivery standards shall be carried out at the start of the month following the acceptance of the new validated delivery standards.
- e New validated delivery standards can only be implemented on the first of each month.
- f The validated delivery standards for each designated office of exchange in the EMS Operational Guide must cover the entire area of the country (or territory of an EMS operator) to which EMS items are delivered.
- g The participating operator agrees to send EMS items only to offices of exchange designated for the receipt of EMS dispatches in the EMS Operational Guide consistent with the UPU IMPC list and for which delivery standards have been validated. EMS items that arrive at non-designated offices of exchange shall be sent to designated offices of exchange for the scanning of the EMD event.

- h The following data must be transmitted for the validation of the delivery standards:
- tracking event code;²
 - item identifier;
 - destination EMS operator;
 - office of exchange code;
 - date;
 - time;
 - delivery office code (e.g. postcode, delivery office depot, province code or other appropriate code identifying the delivery zone).
- i The "delivery zone" refers to geographic areas where EMS items are delivered on a given day. For example, areas where items are delivered on their day of arrival at the destination office of exchange constitute one delivery zone, while areas where items are delivered the following day constitute a separate delivery zone.

Article 6
Accounting procedures

- a EMS operators participating in the EMS Pay-for-performance Plan shall apply the following procedures to their quarterly settlement and payment of accounts:
- b Delivery charges to be applied are described in article 3 of the EMS Pay-for-performance Plan.
- c Quarterly payment documents, produced by the monitoring organization chosen by the EMS Cooperative to provide data and reports for the EMS Pay-for-performance Plan, shall be the basis for EMS inter-operator payments in respect of the EMS Pay-for-performance Plan.
- d The supporting documentation will be in the following tables produced by the monitoring organization chosen by the EMS Cooperative to provide data and reports to the EMS Pay-for-performance Plan as part of the EMS Cooperative's Pay-for-performance Plan:

<i>Table</i>	<i>Name</i>
1a	Payment document – Total inbound EMS items
1b	Payment document – Total outbound EMS items
1c	Payment document – Inbound EMS document items
1d	Payment document – Outbound EMS document items
1e	Payment document – Inbound EMS merchandise items
1f	Payment document – Outbound EMS merchandise items
2a	Diagnostic report – Inbound EMS items
2b	Diagnostic report – Outbound EMS items
2c	Explanatory report
2d	Explanatory report
3a	Monthly accounting preview document/Quarterly accounting document

- e All of these tables shall be produced monthly.
- f The monitoring organization chosen by the EMS Cooperative to provide data and reports for the EMS Pay-for-performance Plan shall provide all the pay-for-performance documents electronically to the EMS Unit in Berne, which shall be responsible for distributing the reports to the EMS operators.

² Tracking event code is defined in standard 2 of the EMS standards and in the UPU standard M 17 – EMSEVT v1.0 and M 40 – EMSEVT v3.0.

Monthly documents shall be received by the EMS Unit up to the 20th day of the month following the month for which the reports are produced. Quarterly documents shall be received by the EMS Unit up to the 30th day of the month following the quarter for which the reports are produced.

- g The reports shall include event data received by the monitoring organization chosen by the EMS Cooperative to provide data and reports for the EMS Pay-for-performance Plan by the 10th day of the month following the month for which the reports are produced.
- h The EMS Unit shall, in turn, e-mail the pay-for-performance documents to participating operators two working days after receiving the pay-for-performance reports. At the same time, the monitoring organization chosen by the EMS Cooperative to provide data and reports for the EMS Pay-for-performance Plan shall make the flat files available with supporting data and inform the EMS Unit accordingly. The EMS Unit shall then inform each participating operator of the availability of the flat files.
- i From the date of receipt of the monthly reports and quarterly payment documents from the EMS Unit, each participating operator shall have 30 days to raise questions concerning the data.
- j Upon receiving the quarterly payment document, each EMS operator shall:
 - verify the amounts in the quarterly payment document; and
 - determine with which EMS operator it is a net creditor.
- k In cases where the EMS operator is a net creditor, it shall create an invoice in the same format as the quarterly payment document, and shall send the signed invoice within 14 days of receiving the quarterly payment document from the EMS Unit (this may be accomplished by inserting page breaks in the Excel file containing the payment document and printing the individual pages).
- l The net debtor EMS operator to which the invoices are sent shall verify the information on the invoices and either send the signed invoice to the net creditor EMS operator, or communicate its proposed amendments within 14 days of receiving the invoice.
- m The net debtor EMS operator shall pay invoices within 60 days after they are accepted. The method of payment shall be agreed between participating operators.

Article 7

Exchange of event data

Each participating operator agrees to receive all tracking event data transmitted by all other participating operators with which it applies this Plan.

Article 8

Application of provisions of bilateral EMS agreements

The multilateral or bilateral EMS agreements in force between participating operators that apply the Plan with one another shall be applicable, by analogy, in all cases not expressly governed by this Plan.

Article 9

Entry into force and duration

- a The provisions of this Plan shall enter into force on 1 January 2014.
- b Either participating operator may terminate this Agreement by giving three months' notice of termination. The termination shall be effective 31 December of the year in which timely notice of termination is given.
- c Operators previously participating in the Pay-for-performance Plan will automatically participate under this version of the Plan, without making further agreements with current partners. Only operators not agreeing to continue participation under this version of the Pay-for-performance Plan will contact their partners in this regard.

Article 10

Bilateral implementation of the Pay-for-performance Plan between partners

- a Once an EMS operator has completed the steps towards becoming eligible to be a participating operator, it should contact any other EMS operator with which it wishes to enter the Pay-for-performance Plan. The two participating operators must agree from which quarter the agreement will be implemented.
- b Both participating operators shall choose their preferred method for establishing a legally binding agreement related to their adhesion to the Pay-for-performance Plan. Both participating operators must complete the Pay-for-performance Partners Agreement form (Attachment 2) and return it to the EMS Unit in order to inform the EMS Unit of the agreement. Once the EMS Unit has received this form from both operators, it is confirmed for reporting purposes that these two operators are partners in the Pay-for-performance Plan.

Article 11

Multilateral implementation of the Pay-for-performance Plan between partners

- a An EMS operator which intends to sign the Pay-for-performance Plan multilaterally shall, once it has completed the necessary steps towards becoming eligible to be a participating operator, complete the Pay-for-performance Multilateral Agreement form (Attachment 3) and return it to the EMS Unit. On this form, the operator shall indicate the quarter from which it intends to implement the agreement.
- b Upon receipt of the completed and signed form, the EMS Unit shall confirm the addition of the EMS operator as a signatory of the Multilateral Pay-for-performance Agreement and inform all current signatories of the new signatory.

Article 12

Disputes

In the event of disputes among participating operators resulting from different interpretations of the Plan, participants may present the circumstances of the dispute to the EMS Unit. The EMS Unit and Pay-for-performance Team will facilitate in the interpretation and clarification of the aspects of the Plan which are in dispute. If the dispute cannot be resolved with the facilitation of the EMS Unit and the Pay-for-performance Team, the participants may present the circumstances of the dispute to the EMS Board to facilitate the interpretation and clarification of the aspects of the EMS Pay-for-performance Plan in dispute. If the dispute still cannot be resolved, the participants may use the existing UPU arbitration process outlined in the Acts of the Union (Constitution and General Regulations) to resolve the dispute, provided that the arbitrators are participating operators in the EMS Pay-for-performance Plan.

Article 13

Force majeure

- a A participating operator shall not be liable for any penalties under the Plan if it fails to perform any of its obligations under the Plan insofar as it complies with article 14:
 - 1 the failure was due to an impediment beyond its reasonable control;
 - 2 the participating operator could not reasonably be expected to have taken the impediment, and its effect upon its ability to perform, into account at the time of entering the Pay-for-performance Agreement; and
 - 3 it could not have reasonably avoided or overcome such an impediment, or at least its effects.
- b An impediment, within the meaning above, could result from events including the following:
 - 1 war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;
 - 2 natural disasters, such as violent storms, cyclones, volcanic activity, earthquakes, tidal waves, floods, destruction by lightning;

- 3 explosions, fires, destruction of machines, of factories, and of any kind of installations;
 - 4 acts of authority, whether lawful or unlawful, apart from acts for which the party seeking relief has assumed risk by virtue of other provisions of the Agreement; and apart from the matters mentioned in paragraph c below.
- c For the purposes of paragraph a above, and unless otherwise provided for in the Plan or bilateral agreement, impediment does not include lack of authorizations, of licences, of entry or residence permits, or of approvals necessary for the performance of the Plan; nor does it include strikes or other industrial action (which are covered by section d below).
- d The definition of a strike, for the purposes of this document, is the serious interruption of normal operations due to industrial action.
- 1 External strike
 - An external strike is a strike which does not involve the participating operator itself but nevertheless affects that participating operator's ability to handle EMS items or provide on-time transmission of EMS items. If an external strike takes place, the participating operator can claim an exemption from any penalties that may otherwise apply under the Plan for a period extending from the beginning of the external strike until two days after being notified of its conclusion.
 - After an external strike, any other participating operator facing an increase in the volume of EMS items received from the participating operator affected by the external strike can apply for an exemption from any penalties that may otherwise apply under the Plan, for the first two days after the external strike.
- e [REDACTED]

Article 14

Application of force majeure

- a Application of force majeure under article 13 b and d:
- 1 The EMS Unit shall confirm in each case whether the force majeure shall be applied, in accordance with the rules.
 - 2 Any failure to inform the EMS Unit within the timeframe defined below will be reason for non-application of the force majeure, in which case reports will not be re-run.
 - 3 The EMS operator shall notify the EMS Unit within 24 hours of the incident.
 - 4 The EMS Unit shall provide this information to all EMS operators.
 - 5 When the service is resumed, the EMS operator shall inform the EMS Unit within 24 hours from the moment that the service went back to normal.
 - 6 The EMS Unit shall provide the information to all EMS operators.
 - 7 For reporting purposes, the days and/or the area where the EMS service was disrupted shall be excluded from the performance calculation.
 - 8 In the case that the disruption occurs close to the end of the month and continues beyond the cut-off date for the reports, thereby affecting two or more months, the EMS operator shall contact the EMS Unit by the last day of the month and by the 10th of the following month reconfirming that the problem still exists and that actions are being taken to resolve it. The relevant reports shall discount these days in the current month and in the following one.
 - 9 The above process shall also be applied if the disruption only affected one part of the national coverage. However, in this case, the EMS operator shall make clear to the EMS Unit what areas are affected and their respective delivery office codes, which will be excluded from the measurement during the period of disruption.
- [REDACTED]
- [REDACTED]

Anomalies

1 Anomalies for which no payments are applied

No.	Anomaly	Description	Payment applied for items below the threshold and reason
1	Missing EDH/EMH/EMI events	If an EMD event is transmitted and no EDH, EMH, or EMI event is transmitted over the reporting period, performance measurement is not possible.	

2 Anomalies for which reduced payments are applied

No.	Anomaly	Description	Payment applied for items below the threshold and reason
1	No office of exchange (OE) code or invalid OE code	If the OE code in the EMD event is not transmitted, or if the OE code transmitted is not defined in the definition tables, performance measurement against the validated delivery standards is not possible.	
2	No delivery office or invalid delivery office code (delivery zone indicator)	If the information required to identify the delivery zone in the EDH/EMH/EMI event is not transmitted, performance measurement against the validated delivery standards is not possible.	
3	Events out of sequence	If the date or time of the EDH/EMH/EMI event is earlier than the date or time of the EMD event, performance measurement is not possible.	
4	Item held by Customs	If events EMD and EME are transmitted and no other events are transmitted after the EME event, performance measurement is not possible. Items that fall into this category will be considered held by Customs.	

3 *Anomalies which have no effect on payments*

<i>No.</i>	<i>Anomaly</i>	<i>Description</i>	<i>Disposition</i>
1	EDH, EMH and EMI events	If any combination of EDH, EMH, and EMI events are transmitted for the same item, the date and time of delivery is taken from whichever event is earlier. The measurement of late transmission of data is made against the event used for measurement of on-time delivery.	
2	Time zone	If a participating operator transmits event data during different time zones, it could be penalized unfairly for late transmission.	
3	Duplicate item identifiers	If a destination EMS operator receives an item whose identifier duplicates that of an item dispatched within the last 14 months by the same EMS operator, the item cannot be included in the performance reports, but will be listed in the anomaly files.	
4	Non-standard item identifier	If a destination EMS operator receives an item whose identifier does not conform to the UPU 13-character standard, the performance reports will not reflect on-time delivery or on-time transmission. The item will not be included in the performance reports.	
5	Items held by Customs in the previous month	If an item had an EMD and an EME event in the previous month and no further scans, the item will be considered held by Customs in the previous month.	
6	Items en route in the previous month	If an item had an EMD, an EME, and an EMF event in the previous month and no further scans, the item will be considered en route in the previous month.	

Pay-for-performance partners agreement form

EMS operators entering into the agreement:

<i>Year/quarter</i>	<i>Percentage of delivery charge paid for penalized items below threshold</i>	<i>Threshold</i>

Partner 1

I, as a representative of (EMS operator) _____, hereby agree that my organization will participate in the EMS Pay-for-performance Plan under the above-stated conditions.

Date: _____ Signature: _____

Partner 2

I, as a representative of (EMS operator) _____, hereby agree that my organization will participate in the EMS Pay-for-performance Plan under the above-stated conditions.

Date: _____ Signature: _____

Please return to:

EMS Unit
International Bureau
Universal Postal Union
Weltpoststrasse 4
P.O. Box 312
3000 BERNE 15
SWITZERLAND

Fax: +41 31 351 52 00
E-mail: EMS.Unit@upu.int

Multilateral Pay-for-performance Agreement form

EMS operator entering into the Agreement:

Quarter/year of implementation:

The EMS operator of _____ hereby undertakes to adopt the Multilateral Pay-for-performance Agreement. The Pay-for-performance Plan, as a multilateral agreement accepted by all EMS Cooperative members which are signatories to it, shall normally form the legal basis for the settlement of accounts between the signatories without any further requirement for the exchange of bilateral pay-for-performance agreements between parties to the Multilateral Pay-for-performance Agreement.

Date: _____ Signature: _____

EMS operator signatories of the Multilateral Pay-for-performance Agreement

The list of signatories of the Multilateral Pay-for-performance Agreement is published on the EMS Cooperative website.

Please return to:

EMS Unit
International Bureau
Universal Postal Union
Weltpoststrasse 4
P.O. Box 312
3000 BERNE 15
SWITZERLAND

Fax: +41 31 351 52 00
E-mail: EMS.Unit@upu.int

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 the 2014 EMS Cooperative Pay-for-performance Plan (the 2014 Plan) and EMS Pay-for Performance Report Cards, which are filed with the Postal Regulatory Commission (Commission) in this docket. This filing responds to the Chairman's Information Request No. 1. The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

Information of a commercial nature, which under good business practice would not be publicly disclosed, as well as third party business information, is not required to be disclosed to the public. 39 U.S.C. § 410(c)(2); 5 U.S.C. § 552(b)(4). The Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A).¹ Because the portions of materials filed non-publicly in this docket fall within the scope of information not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

¹ 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, March 20, 2009, at 11.

(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 2014 Plan, the Postal Service believes that the International Bureau (IB) of the Universal Postal Union and the 170 postal operators other than the Postal Service that are members of the EMS Cooperative are third parties with a proprietary interest in the materials. Due to the practical difficulties of providing adequate notice to so many third parties, the Postal Service proposes that it be deemed sufficient for the IB's EMS Unit to be treated as the point of contact for all such third party interests. Not only is the IB's EMS Unit cognizant of the EMS membership's interests, it is also best-positioned to communicate efficiently with other EMS operators if need be. The Postal Service identifies as an appropriate contact person Jane Dyer, Head of the EMS Unit, International Bureau, Universal Postal Union. Ms. Dyer's phone number is +41 / 31-350-3564, and his email address is Jane.Dyer@upu.int. The Postal Service will inform Ms. Dyer, in compliance with 39 C.F.R. § 3007.20(b), about the nature and scope of this filing and about the IB's ability to address any confidentiality concerns directly with the Commission.

(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 Response filed in this docket, the Postal Service has filed the 2014 Plan and EMS Pay-for-Performance Report Cards. This document was filed under seal, with a redacted copy filed publicly. The Postal Service maintains that the redacted portions of these documents should remain confidential.

The redactions made in Article 1 of the 2014 Plan protect commercially sensitive information about the timing and content of electronic data exchanged between postal operators participating in the Pay-for-performance Plan. The text redacted from Articles 4 and 5 and Attachment 1 details certain delivery performance thresholds, the method for setting and updating standards, and the connection of delivery performance and certain anomalies with payment between operators, all of which is commercially sensitive. Redactions to Articles 13 and 14 protect the identification of proprietary information technology networks used and relied upon in evaluating EMS performance.

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

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers that it is quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the information to assess the offers and representations made to customers by the Postal Service and other EMS providers that partner with the Postal Service for any possible comparative vulnerabilities and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service and other EMS providers. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

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

Harm: Competitors could use performance information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's and other postal operator's detriment.

Hypothetical: The delivery standards information in the EMS Cooperative Pay-for-performance Plan is released to the public. Another expedited delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor then uses the postal operator's delivery standards as a concrete comparison point, advertising itself to potential customers as offering performance better than the postal operator engaged in the exchange of EMS.

The above scenario can apply with equal force to other elements of the information submitted here. For example, a competitor could make comparisons to the postal operator's ability to offer item tracking and visibility, based on the scanning and messaging requirements deemed relevant for participation in the EMS Cooperative Pay-for-performance Plan. The identification of information technology networks could also translate into competitive comparisons, if a competitor purports that its systems offer superior service capabilities. For these reasons, the postal operator would suffer actual harm if the redacted information were disclosed.

Harm: Competitors could use delivery, tracking, and service performance information in the EMS Cooperative Report Cards to assess vulnerabilities and focus sales and marketing efforts to the detriment of the Postal Service.

Hypothetical: The information in the EMS Cooperative Report Cards is released to the public. Another expedited delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor then uses this delivery, tracking, and service performance information to

develop plans to more effectively compete against the Postal Service or to develop comparative advertising.

(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 expedited and parcels products (including private sector integrators), as well as their consultants and attorneys. Additionally, the Postal Service believes that, except for foreign postal operators that already have access to this information, actual or potential customers of the Postal Service for products related to Inbound EMS 2, Outbound Express Mail International, or similar products should not be provided access to the non-public materials.

(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.