

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

MARKET DOMINANT PRODUCT PRICES  
INBOUND MARKET DOMINANT REGISTERED SERVICE AGREEMENT  
NEGOTIATED SERVICE AGREEMENTS

Docket Nos.  
MC2016-168

MARKET DOMINANT PRODUCT PRICES  
INBOUND MARKET DOMINANT REGISTERED SERVICE AGREEMENT  
(MC2016-168)  
NEGOTIATED SERVICE AGREEMENT

R2016-6

**REQUEST OF UNITED STATES POSTAL SERVICE TO ADD  
INBOUND MARKET DOMINANT REGISTERED SERVICE AGREEMENT  
TO THE MARKET DOMINANT PRODUCT LIST,  
NOTICE OF TYPE 2 RATE ADJUSTMENT, AND  
APPLICATION FOR NON-PUBLIC TREATMENT**  
(July 13, 2016)

In accordance with 39 U.S.C. §§ 3622(c)(10) and 3642, as well as 39 C.F.R. § 3010.40 *et seq.* and 3020.30 *et seq.*, the United States Postal Service (Postal Service) hereby requests that Inbound Market Dominant Registered Service Agreement be added to the market dominant product list within the Mail Classification Schedule (MCS). The Postal Service also provides notice of a Type 2 rate adjustment, in accordance with 39 C.F.R. § 3010.40 *et seq.*, that should improve the net financial position of the Postal Service, create an incentive to enhance the performance of operational functions, and result in improvement over default rates established under the Universal Postal Union (UPU) Acts for inbound Letter Post items. This notice concerns the Postal Service's accession to the Registered Service Agreement, a multilateral agreement between some postal operators about the exchange of certain information in electronic form related to the sending and delivering of registered items

pursuant to Article 13 of the Universal Postal Convention. The purpose of the agreement is to upgrade participating postal operators' service to the benefit of their customers, and in certain circumstances, for the participating postal providers "to remunerate each other for the provision of information in electronic form."<sup>1</sup>

The Postal Regulatory Commission (Commission) previously determined in Order No. 876 that the *Exprès Service Agreement* that is the subject of Docket No. R2011-6<sup>2</sup> should be included within the *Inbound Market Dominant Exprès Service Agreement 1 (R2011-6)* product. Taking into consideration Order No. 876, the Postal Service requests that the Commission list the Registered Service Agreement that is the subject of this filing in an *Inbound Market Dominant Registered Service Agreement* product grouping on the market dominant product list within the MCS.

Since the Postal Service acceded to the Registered Service Agreement on October 1, 2013, the Postal Service has reported revenue from the Registered Service Agreement under Market Dominant, International Ancillary Service. With this filing, the Postal Service is requesting that the Commission add *Inbound Market Dominant Registered Service Agreement* as a new product, within the market dominant product list in the Mail Classification Schedule, effective October 1, 2016. As a result, the revenue from the Registered Service Agreement will be reported separately from *Inbound Market Dominant, International Ancillary Service*.

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<sup>1</sup> See Attachment 2, Registered Service Agreement made and entered into December 5, 1999, at 1-2. The full text of the Registered Service Agreement includes the Registered Service Agreement and its five Annexes, as amended by (i) the revised Annex 1 Definitions, as amended by the Steering Committee on 8/9 November 2012, which went into effect on January 1, 2013, (ii) the most recent delivery standard information that each Party has submitted that has been included in Annex 3, and (iii) the revised Annex 4, as amended by the Steering Committee on 8/9 November 2012, which went into effect on January 1, 2013.

<sup>2</sup> PRC Order No. 876, Order Adding Inbound Market Dominant Exprès Service Agreement 1 to the Market Dominant Product List, Docket No. R2011-6, September 26, 2011, at 9.

Attachment 1 is the Statement of Supporting Justification of Violette Jacobson, Acting Director, Global Business Solutions, pursuant to 39 C.F.R. § 3020.32. A redacted copy of the agreement is included in the public version of this filing as Attachment 2. The full text of the agreement and supporting financial documentation are being filed separately under seal with the Commission. Attachment 3 to this Request includes proposed MCS language for the Inbound Market Dominant Registered Service Agreement product grouping. Attachment 4 to this filing is the Postal Service's application for non-public treatment of these materials. A redacted version of the supporting financial documentation is included with this filing as a separate Excel file.

Redacted copies of the following sections of the Registered Service Agreement are included as Attachment 2:

- the Registered Service Agreement, made and entered into December 5, 2005, including Annexes 1, 2, 3, 4, and 5;
- the revised Annex 1 Definitions, as amended by the Steering Committee on 8/9 November 2012, which went into effect January 1, 2013;
- the revised Annex 4 Surcharge, as amended by the Steering Committee on 8/9 November 2012, which went into effect January 1, 2013; and
- the Postal Service's deed of accession to the Registered Service Agreement (which is based on the template provided in Annex 5 of the Registered Service Agreement).

In addition,

- redactions of three versions of the Postal Service's Annex 3 that set forth the delivery standards for the Postal Service under the agreement, which went into effect on October 1, 2013 (when the Postal Service acceded to the Registered Service Agreement), in March 2016, and April 2016, respectively, and
- redacted versions of the supporting financial documentation,

are provided in separate Excel files.

All of the documents included in Attachment 2 of this filing, the three versions of Postal Service's Annex 3 and supporting financial documentation are being filed separately under seal with the Commission.

***I. Notice of Agreement and Rate Adjustment***

***A. Criteria under Part 3010, Subpart D of the Rules of Practice and Procedure***

The Postal Service provides the following answers, descriptions, and affirmations in response to the criteria for contents of a notice of agreement in support of a negotiated service agreement, as provided in 39 C.F.R. § 3010.42. This statement provides support for the implementation of the Agreement and the establishment of the rates offered therein.

*(a) ... [A] notice of agreement that shall include at a minimum:*

- (1) A copy of the negotiated service agreement;*
- (2) The planned effective date(s) of the proposed rates;*
- (3) A representation or evidence that public notice of the planned changes has been issued or will be issued at least 45 days before the effective date(s) for the proposed new rates; and*
- (4) The identity of a responsible Postal Service official who will be available to provide prompt responses to requests for clarification from the Commission.*

As described above, a copy of the Registered Service Agreement and documents concerning the Postal Service's accession to the Registered Service Agreement are being filed under seal in connection with the instant filing.

According to the Postal Service's deed of accession to the Registered Service Agreement included in Attachment 2 of this filing, the Postal Service's accession to the Registered Service Agreement became effective on October 1, 2013

Public notice of the Postal Service's accession to the Registered Service Agreement, which includes rates for extra remuneration to the Postal Service for services performed by the Postal Service pursuant to Article 2 of the Registered Service Agreement, is being given through the instant notice, as well as the publication of a notice concerning this request in the *Federal Register*, as required by 39 U.S.C. § 3642(d)(1).

Violette Jacobson, Acting Director, Global Business Solutions, will be available to provide prompt responses to requests for clarification from the Commission.

*(b) A statement identifying all parties to the agreement and a description clearly explaining the operative components of the agreement.*

According to information provided by the Prime Project Manager at IPC, the current parties to the Registered Service Agreement are the following.

<b>Country Name</b>	<b>Company Name</b>
Albania	"Posta Shqiptare" sh.a.
Armenia	Haypost CJSC
Aruba	Post Aruba
Austria	Österreichische Post AG
Belgium	bpost
Cayman Islands	Cayman Islands Post Office
China (People's Rep.)	China Post Group

Cyprus	Cyprus Post
Denmark	Post Danmark A/S
Dominican Republic	Postal Dominicano
Finland (including Åland Islands)	Posti Ltd.
France	La Poste
Germany	Deutsche Post DHL
Gibraltar	Royal Gibraltar Post Office
Great Britain	Royal Mail Group plc
Honduras	Empresa de Correos de Honduras
Iceland	Iceland Post
Ireland	An Post
Japan	Japan Post Service Co., Ltd.
Jersey	Jersey Post
Kiribati	Postal Division
Luxembourg	Entreprise des Postes et Télécommunications
Malta	Malta Post p.l.c.
Mexico	Correos de Mexico
Paraguay	Correo Paraguayo
Russia	Russian Post
Slovenia	Posta Slovenije, d.o.o.
Sweden	Posten AB
Switzerland	Swiss Post International
Thailand	Thailand Post
United States of America	United States Postal Service
Vanuatu	Vanuatu Post Limited

The Registered Service Agreement is a multilateral agreement between certain postal operators that concerns the exchange of certain information in electronic form about the sending and delivering of registered items pursuant to Article 13 of the Universal Postal Convention in order to upgrade those certain postal operators' service to the benefit of their customers, and in certain circumstances "to remunerate each other for the provision of information in electronic form."<sup>3</sup>

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<sup>3</sup> See Registered Service Agreement made and entered into December 5, 1999, at 1-2.

*(c) Details regarding the expected improvements in the net financial position or operations of the Postal Service. The projection of change in net financial position as a result of the agreement shall include for each year of the agreement:*

*(1) The estimated mailer-specific costs, volumes, and revenues of the Postal Service absent the implementation of the negotiated service agreement;*

*(2) The estimated mailer-specific costs, volumes, and revenues of the Postal Service which result from implementation of the negotiated service agreement;*

*(3) An analysis of the effects of the negotiated service agreement on the contribution to institutional costs from mailers not party to the agreement; and*

*(4) If mailer-specific costs are not available, the source and derivation of the costs that are used shall be provided, together with a discussion of the currency and reliability of those costs and their suitability as a proxy for the mailer-specific costs.*

The Postal Service has provided information about expected financial improvements, costs, volumes, and revenues in the financial workpapers that the Postal Service has filed under seal.

*(d) An identification of each component of the agreement expected to enhance the performance of mail preparation, processing, transportation or other functions in each year of the agreement, and a discussion of the nature and expected impact of each such enhancement.*

Performance improvements that may result from the Postal Service's accession to the Registered Service Agreement include the following.

- The Postal Service's accession to the Registered Service Agreement creates an incentive for the Postal Service to improve mail processing and transportation because the agreement provides for remuneration for timely delivery of registered items and timely scans concerning inbound registered items.

*(e) Details regarding any and all actions (performed or to be performed) to assure that the agreement will not result in unreasonable harm to the marketplace.*

This agreement will not result in unreasonable harm to the marketplace.

The Postal Service and the designated postal operators of the countries that are parties to the Registered Service Agreement serve as their respective countries' designated operators for the exchange of mail, including in particular Letter Post, under rules set by the UPU. Designated operators ordinarily compensate one another for the delivery of Letter Post in accordance with terminal dues rates set by the UPU, unless a bilateral or multilateral agreement is concluded.<sup>4</sup> Because no other entities are in a position to serve as designated operators for the relevant types of mail either originating in the countries that are parties to the Registered Service Agreement or destined for the United States, and because no other entities are subject to terminal dues rates with respect to inbound Letter Post to the United States from the countries that are parties to the Registered Service Agreement, the market for the services offered under this agreement is in essence limited to the parties of the agreement.

*(f) Such other information as the Postal Service believes will assist the Commission to issue a timely determination of whether the requested changes are consistent with applicable statutory policies.*

In this docket, the Postal Service is presenting only an agreement with certain foreign postal operators concerning the exchange of certain information in electronic form about the delivery of inbound registered items and in certain circumstances to establish remuneration for the provision of information in electronic form.

The rates paid by the Postal Service to the other postal operators who are parties to the Registered Service Agreement have not been presented to the Commission.

Those represent supplier costs to the Postal Service, which are built into the prices that

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<sup>4</sup> See Universal Postal Convention Article 29 ¶ 11 in UPU, Decisions of the 2012 Doha Congress, available at [http://www.upu.int/uploads/tx\\_sbdownloader/actsLastCongressActsEn.pdf](http://www.upu.int/uploads/tx_sbdownloader/actsLastCongressActsEn.pdf), at 134. .

the Postal Service charges its mailing customers for outbound market dominant products to be delivered in the countries whose postal operators are parties to the Registered Service Agreement. An agreement concerning outbound market dominant services with such postal operators would no more need to be classified as a product or otherwise subjected to prior Commission review than would an agreement to purchase trucking services from highway contractors or to purchase air transportation from air carriers.

***B. Data Collection Plan***

Under 39 C.F.R. § 3010.43, the Postal Service must include with its notice of agreement “a detailed plan for providing data or information on actual experience under the agreement sufficient to allow evaluation of whether the negotiated service agreement operates in compliance with 39 U.S.C. [§] 3622(c)(10).”<sup>5</sup> The Postal Service intends to report information on this agreement through the Annual Compliance Report. The Postal Service will continue to cooperate with the Commission to provide any necessary information about mail flows from the parties of the Registered Service Agreement within the course of the annual compliance review process. Therefore, the Postal Service proposes that no special data collection plan be created for this agreement. Furthermore, with respect to performance measurement, because this agreement concerns the provision of a registered service with a product that is already being measured,<sup>6</sup> the Postal Service respectfully requests that the Postal Service be excepted from separate reporting under 39 C.F.R. § 3055.3(a)(3). The Commission granted similar exceptions from separate reporting for the Express Service agreement in

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<sup>5</sup> 39 C.F.R. § 3010.43.

<sup>6</sup> See PRC Order No. 292, Notice of Proposed Rulemaking on Periodic Reporting of Service Performance Measurements and Customer Satisfaction, Docket No. RM2009-11, September 2, 2009, at 15.

Docket No. R2011-6,<sup>7</sup> and for the China Post Agreement, the TNT Agreement, and the Hongkong Post Agreement in Docket Nos. R2010-5 and R2010-6, as well as R2011-4.<sup>8</sup>

**C. Statutory Criteria**

Under 39 U.S.C. § 3622(c)(10), the criteria for the Commission's review are whether the agreement (1) improves the net financial position of the Postal Service or enhances the performance of operational functions, (2) will not cause unreasonable harm to the marketplace, and (3) will be available on public and reasonable terms to similarly situated mailers. The first two criteria have been addressed in Part IA above. With respect to the third criterion, there are no entities that are similarly situated to the designated postal operators of the countries that are parties to the Registered Service Agreement in their ability to tender the Letter Post flows specified in the Registered Service Agreement from the countries that are parties to the Registered Service Agreement under similar operational conditions. There are also no other entities that serve as a designated operator for Letter Post originating from the countries that are parties to the Registered Service Agreement. Therefore, the Postal Service finds it difficult to conceive of a "similarly situated mailer" to which the Postal Service could make a similar agreement available for each country-specific flow. Accordingly, the Postal Service views this criterion as inapplicable in this instance.<sup>9</sup> Because all of the

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<sup>7</sup> PRC Order No. 876, at 8.

<sup>8</sup> PRC Order No. 549, Order Adding Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 to the Market Dominant Product List and Approving Included Agreements, Docket Nos. MC2010-35, R2010-5, and R2010-6, September 30, 2010, at 9; PRC Order No. 700, at 7-8; see also PRC Order No. 570, Order Concerning Postal Service Request for Semi-Permanent Exceptions from Periodic Reporting of Service Performance Measurement, Docket No. RM2010-11, September 3, 2010, at 23 (approving semi-permanent exceptions from service performance reporting for active market dominant negotiated service agreements, including the agreement for inbound market dominant services with Canada Post Corporation).

<sup>9</sup> See PRC Order No. 163, Order Concerning Bilateral Agreement with Canada Post for Inbound Market Dominant Services, Docket Nos. MC2009-7 and R2009-1, December 31, 2008, at 9-10 ("Given its narrow

criteria set forth in 39 U.S.C. § 3622(c)(10) have been met, the Postal Service respectfully urges the Commission to act promptly by allowing the Agreement's rates to be implemented under 39 C.F.R. § 3010.40, as requested.

**II. Request to Add Inbound Market Dominant Registered Service Agreement to the Market Dominant Products List**

**A. Identification of Inbound Market Dominant Registered Service Agreement**

The product grouping for the Inbound Market Dominant Registered Service Agreement is described in the attached MCS language. The grouping is similar to the MCS language for MCS section 1602.4 Inbound Market Dominant Express Service Agreement, which currently appears in the MCS.<sup>10</sup> The Registered Service Agreement concerns the ancillary registered service that is available with certain inbound international Letter Post mail items tendered by foreign postal operators.

The terms of the Registered Service Agreement at issue in this proceeding fit within the new proposed MCS language included as Attachment 3 to the instant filing. The Registered Service Agreement concerns the exchange between participating postal operators of certain information in electronic form about the sending and delivering of registered items pursuant to Article 13 of the Universal Postal Convention. The agreement's purpose is to upgrade those certain postal establishes operators' service to the benefit of their customers, and in certain circumstances for participating postal providers "to remunerate each other for the provision of information in electronic form."<sup>11</sup>

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characterization of the underlying Agreement, the Postal Service's position [as to 'similarly situated mailers'] is correct. For purposes of this proceeding, the Commission concludes that it would be largely an academic exercise to consider whether a broader characterization should be employed.").

<sup>10</sup> See PRC, Mail Classification Schedule, posted January 15 2016 (with revisions through April 10, 2016), available at <http://www.prc.gov/mail-classification-schedule>, at 201.

<sup>11</sup> See Registered Service Agreement made and entered into December 5, 1999, at 1-2.

**B. Filing under Part 3020, Subpart B of the Rules of Practice and Procedure**

The Statement of Supporting Justification of Violette Jacobson, Acting Director, Global Business Solutions, is included as Attachment 1 in accordance with Part 3020, Subpart B of the Rules of Practice and Procedure. This Statement provides support for the addition of Inbound Market Dominant Registered Service Agreement, as well as the Postal Service's accession to the Registered Service Agreement presented in this proceeding, to the market dominant products list.

Under 39 U.S.C. § 3642(b), the criteria for such review are whether the product qualifies as market dominant as a function of the Postal Service's market power, whether it is excluded from the postal monopoly, and whether the proposed classification reflects certain market considerations. Each of these criteria has been addressed in this case. With Order No. 43, the Commission has already assigned all inbound shipments of single-piece Letter Post to the market dominant category,<sup>12</sup> and the agreement at issue implements certain remuneration terms and operational provisions concerning registered service for Letter Post. A bilateral agreement with China Post, presented in a filing in Docket Nos. MC2010-35, R2010-5 and R2010-6, which included specific terms concerning registered service, was determined to satisfy statutory criteria for placement on the market dominant product list, particularly with regard to inbound Letter Post items.<sup>13</sup> In addition, Inbound Market Dominant Express Service Agreement 1, a multilateral agreement that concerns the delivery of cross-border LC/AO items that weigh up to 2 kilograms tendered as Express items and

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<sup>12</sup> PRC Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, Docket No. RM2007-1, October 29, 2007, at 99-100, ¶ 4003 (placing Inbound First-Class Mail International as a subset within the First-Class Mail class).

<sup>13</sup> PRC Order No. 549.

branded with a common logo, which was presented in Docket No. R2011-6, was determined to satisfy statutory criteria for placement on the market dominant product list.<sup>14</sup> The additional considerations listed in 39 U.S.C. § 3642(b)(3) are addressed in Ms. Jacobson's statement. Because all of section 3642's criteria for classification have been met, the Postal Service respectfully urges the Commission to act promptly by adding this product to the market dominant products list as requested.

### ***III. Application for Non-Public Treatment***

The Postal Service maintains that certain portions of the Registered Service Agreement, as well as related financial information should remain confidential. In accordance with 39 C.F.R. § 3007.21, the Postal Service files as Attachment 4 to this Request its application for non-public treatment of materials filed under seal. A full discussion of the required elements of the application appears in Attachment 4.

### ***IV. Conclusion***

For the reasons discussed, the Postal Service believes that the Inbound Market Dominant Registered Service Agreement, along with the Registered Service Agreement discussed herein should be added to the market dominant product list. The Postal Service requests that the Commission approve this Request.

As mentioned previously, as required by 39 U.S.C. § 3642(d)(1), a notice concerning this Request will be sent for publication in the *Federal Register*.

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<sup>14</sup> PRC Order No. 876.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 13, 2016

## Statement of Supporting Justification

I, Violette Jacobson, Acting Director, Global Business Solutions, am sponsoring the Request that the Commission add Inbound Market Dominant Registered Service Agreement filed in Docket Nos. MC2016-168 and R2016-6 to the market dominant product list within the Mail Classification Schedule (MCS). My statement supports the Postal Service's Request by providing the information required by each applicable subsection of 39 C.F.R. § 3020.32. I attest to the accuracy of the information contained herein.

- (a) *Demonstrate why the change is in accordance with the policies and applicable criteria of chapter 36 of title 39 of the United States Code.*

As demonstrated below and in the Request and Notice to which this statement is attached, the change complies with the applicable statutory provisions.

- (b) *Explain why, as to market dominant products, the change is not inconsistent with each requirement of 39 U.S.C. § 3622(d), and that it advances the objectives of 39 U.S.C. § 3622(b), taking into account the factors of 39 U.S.C. § 3622(c).*

The Request and Notice concern a Type 2 rate adjustment, and a Type 2 rate adjustment "is based on a negotiated service agreement," according to 39 C.F.R. § 3010.7. A Type 2 rate adjustment is authorized by 39 U.S.C. § 3622(c)(10), rather than 39 U.S.C. § 3622(d). Therefore, the requirements of 39 U.S.C. § 3622(d) do not appear to apply in this instance.

In the Request and Notice to which this statement is attached, the Postal Service has explained how Inbound Market Dominant Registered Service Agreement complies with the applicable sub-factors in 39 U.S.C. § 3622(c)(10). The product grouping, along

with the agreement submitted in this proceeding, also accords with the following objectives stated in 39 U.S.C. § 3622(b) and the following other factors stated in 39 U.S.C. § 3622(c), to the extent applicable. By negotiating directly with foreign postal operators through bilateral agreements such as the instrument submitted here, it is possible to present prices that more accurately represent the services' costs and the value that the foreign postal operator and its customers place on the services being provided (39 U.S.C. § 3622(c) factors 1 and 7), which offer reliability and varying degrees of delivery speed (factor 9). With respect to the contract presented here, the rates in the agreement will remain in effect for the indefinite period of time established in Article 8 of the contract, thereby achieving the goal of predictability and stability for the counter-party postal operator and its customers, as well as the Postal Service (39 U.S.C. § 3622(b) objective 2).

The Registered Service Agreement also provides the opportunity for the negotiation of scanning service performance targets and standards, development of more efficient and customized services, as well as bar code specifications and formats, which modify the requirements generally applicable to the cross-border registered items covered by each (39 U.S.C. § 3622(b) objectives 1 and 3 and 39 U.S.C. § 3622(c) factor 12). In addition, the Registered Service Agreement concerns the preparation of mail, specifically in relation to the exchange of certain information in electronic form about the delivery of inbound registered items and in certain circumstances to establish remuneration for the provision of information in electronic form. Some of these efficiency-improving activities may reduce the Postal Service's costs (39 U.S.C. § 3622(c) factor 5).

The revenues earned by the Postal Service under Inbound Market Dominant Registered Agreement improve cost coverage for inbound flows over default rates under the UPU Acts, thereby helping to promote financial stability (39 U.S.C. § 3622(b) objective 5). As a result, Inbound Market Dominant Registered Service Agreement will promote the long-term objective of achieving adequate cost coverage (objective 9 and factor 2). These rates provide superior cost coverage over the default rates set by the UPU (objectives 5, 8, and 9 and factor 7). Both senders and recipients typically esteem Registered Service as a reliable option for certain personal and business correspondence. Therefore, it may be assumed that inbound Letter Post registered items sent by mailers in foreign countries are of high relative value to the people and may tend to contain items with high educational, cultural, scientific, and informational value (factors 8 and 11). Alternatives to inbound Letter Post from certain foreign countries are available at reasonable cost in the form of electronic telephone, and facsimile communication, as well as Extraterritorial Offices of Exchange (ETOE) and international mail consolidators for bulk Letter Post and package delivery providers for heavier-weight Letter Post items (factor 4).

Adding Inbound Market Dominant Registered Service Agreement to the market dominant product list will promote simplicity in the MCS's structure (factor 6). The proposed classification language features simple, direct language that describes the Inbound Market Dominant Registered Service Agreement.

If the Commission adds Inbound Market Dominant Registered Service Agreement to the market dominant product list in the MCS and permits the rates of the agreement to be implemented, the Commission will be affirming the Postal Service's

exercise of its pricing flexibility (objective 4 and factor 7) and reducing administrative burden that might impede the flow of inbound registered mail tendered by foreign postal operators (objective 6). Transparency is also enhanced through the Postal Service's submission of redacted portions of these instruments, along with the product description in the classification language through this filing, and through the annual compliance reporting process (objective 6). Finally, classification by the Commission would enable the establishment of rates that are considered to be just and reasonable by both the Postal Service and the counterparty foreign postal operators (objective 8).

- (c) *Explain why, as to competitive products, the addition, deletion, or transfer will not result in the violation of any of the standards of 39 U.S.C. § 3633.*

Not applicable. Section 3633 concerns rates for competitive products, and the Postal Service is proposing to add Inbound Market Dominant Registered Service Agreement to the market dominant product list.

- (d) *Verify that the change does not classify as competitive a product over which the Postal Service exercises sufficient market power that it can, without risk of losing a significant level of business to other firms offering similar products: (1) set the price of such product substantially above costs, (2) raise prices significantly; (3) decrease quality; or (4) decrease output.*

Not applicable. The Postal Service is proposing to add Inbound Market Dominant Registered Service Agreement to the market dominant product list.

- (e) *Explain whether or not each product that is the subject of the request is covered by the postal monopoly as reserved to the Postal Service under 18 U.S.C. § 1696, subject to the exceptions set forth in 39 U.S.C. § 601.*

The Private Express Statutes generally prohibit entities other than the Postal Service from carrying inbound letters weighing less than 12.5 ounces, unless certain

postage has been paid or the carriage falls under certain exceptional circumstances. Therefore, a portion of the inbound Letter Post that is a subject of the agreement at issue here is subject to the so-called “letter monopoly” up to the weight threshold, and to the extent that a private entity would not carry the items under exceptional circumstances provided in the Private Express Statutes (e.g., for at least six times the current price of a one-ounce First-Class letter, or within the prescribed time guidelines for “extremely urgent” delivery).

- (f) *Provide a description of the availability and nature of enterprises in the private sector engaged in the delivery of the product.*

Because the Postal Service and foreign postal operators serve as their respective countries’ designated operators to provide universal Letter Post service under the Universal Postal Convention, there are few alternatives for sending and receiving inbound single-piece Letter Post with registered service, particularly for lightweight letters, from foreign countries to the United States at reasonable costs. It should be noted, however, that electronic and facsimile communication represent low-priced alternatives for some of the type of business and personal correspondence typically transmitted through Letter Post with registered service. In addition, electronic, telephone, and facsimile communication represent low-priced alternatives for the type of business and personal correspondence typically transmitted through Letter Post. Also, other postal operators or consolidators compete in cross-border letter markets for bulk mail delivery. The Registered Service Agreement at issue here, however, to a large extent pertains to single-piece, universal registered service traffic, which is generally only provided by postal operators designated by their countries’ governments.

- (g) *Provide any information available on the views of those who use the product on the appropriateness of the proposed modification.*

The counter-parties to the Inbound Market Dominant Registered Service Agreement are foreign postal operators that desire to tender inbound mail with registered service volume to the Postal Service under the terms and conditions of the Registered Service Agreement. The Postal Service has concluded a similar type of agreement, which the Commission classified in Docket No. R2011-6 as Inbound Market Dominant Express Service Agreement 1 in section 1602.4 of the Mail Classification Schedule.<sup>1</sup> This indicates that foreign postal operators, as well as their mailing customers, find the type of arrangement that these agreements represent to be invaluable for preserving and enhancing mail services for inbound letter items sent to the United States. However, no specific data are available to the Postal Service on foreign postal operators' or their mailing customers' views regarding the regulatory classification of this type of agreement.

- (h) *Provide a description of the likely impact of the proposed modification on small business concerns.*

Addition of Inbound Market Dominant Registered Service Agreement to the market dominant product list will likely have little adverse impact upon small business concerns. By agreeing to the rates in the Registered Service Agreement, the Postal Service is continuing to provide foreign postal operators reliable options for mailing letters and merchandise using registered service to the United States. As described in response to Part (f) above, there is little direct private competition for inbound single-

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<sup>1</sup> See Postal Regulatory Commission, Mail Classification Schedule posted January 15, 2016 (with revisions through: April 10, 2016), at 201.

piece Letter Post registered service, or inbound single-piece Letter Post. So, classification of the agreement will not have significant impact on small business competitors. The Postal Service is unaware of any small business concerns that offer competing services for end-to-end delivery of single-piece, non-expedited Letter Post registered items on a comprehensive basis. Thus, because of the absence of negative impact on any small business competitors, as well as the positive impact on small businesses served by foreign postal operators and the Postal Service the net impact of the Registered Service Agreement on small businesses is positive.

- (i) *Include such information and data, and such statements of reasons and bases, as are necessary and appropriate to fully inform the Commission of the nature, scope, significance, and impact of the proposed modification.*

The Postal Service shares the Commission's desire to achieve cost-covering rates and the financial workpapers included in this filing indicate that the Registered Service Agreement should cover its costs.

## Registered Service Agreement

made and entered into this 5<sup>th</sup> December 2005

by and between the parties listed hereinafter

(collectively the “Parties”)

Empresa Brasileira de Correios e Telégrafos	Brazil
Post Danmark	Denmark
Finland Post Corporation	Finland
Deutsche Post AG	Germany
Iceland Post	Iceland
An Post	Ireland
Entreprise des Postes & Télécommunications	Luxembourg
CTT Correios de Portugal SA	Portugal
Correos y Telégrafos	Spain
Posten AB	Sweden
Swiss Post	Switzerland
Royal Mail Group plc	United Kingdom

Witnesseth:

- WHEREAS the Parties are postal operators engaged, inter alia, in the cross-border transportation and delivery of mail, and
- WHEREAS each of the Parties sends and delivers registered items pursuant to Article 13 of the Universal Postal Convention, and
- WHEREAS the Parties wish to exchange certain information in the performance of this service in electronic form in order to upgrade their service to the benefit of their customers, and



- WHEREAS in certain circumstances the Parties wish to remunerate each other for the provision of information in electronic form.

Now, therefore, the Parties hereby agree as follows:

**Article 1: Definitions**

All terms beginning with a capital letter in this Agreement (including the Annexes) are either defined in Annex 1 to this Agreement or defined in the body of this Agreement and referred to in Annex 1.

**Article 2: Registered Service**

When sending and receiving cross-border registered items to and from each other the Parties shall perform the following services.

[REDACTED]

[REDACTED]

[REDACTED]

The Parties shall comply with the service feature requirements set out in Annexes 2 and 3.

**Article 3: Remuneration**

In the absence of differing provisions of a bilateral agreement between them and to the extent that Annex 4 provides for it, a Sending Party shall

[REDACTED]

[REDACTED]

[REDACTED]

#### **Article 4: Liability Inquiries**



#### **Article 5: Steering Committee**

The Parties shall meet from time to time in a Steering Committee. Each Party shall be represented in the Steering Committee by one representative. Each Party shall have one vote. A Party without a representative at a Steering Committee meeting can give a written power of attorney to another Party's representative to represent it at that meeting and to exercise its vote. Decisions of the Steering Committee require the majority of the votes of all Parties present or represented. Issues having a financial or legal impact must be explicitly on the agenda or the Steering Committee for a decision to be made at that meeting.

#### **Article 6: Bilateral and Multilateral Agreements**

Parties can agree to deviate from the provisions of this Agreement by entering into bilateral and/or multilateral agreements that involve fewer than all of the Parties and supplement this Agreement. In particular, such bilateral and/or multilateral agreements may provide for different remuneration and service features applicable between the Parties involved.

#### **Article 7: Contracts with Customers**

This Agreement shall not impinge upon each Party's freedom to determine the prices it charges to and the contractual terms governing its relationship with its customers.

#### **Article 8: Term and Termination**

This Agreement shall enter into force on 1 January 2006 between those Parties that have executed it. If any other Party executes this Agreement after that date, this Agreement shall enter into force on the day on which this Party deposits the executed Agreement with the Prime Project Manager on behalf of the chairman of the Steering Committee between this Party and those who have already executed this Agreement.

This Agreement is entered into for an indefinite period of time. Any Party may withdraw from this Agreement at any time after its entry into force by depositing a notice of withdrawal with the Prime Project Manager on behalf of the chairman of the Steering Committee, who will then inform the other Parties. Such withdrawal shall only take effect at the end of the third full calendar month following the notice of withdrawal.

#### **Article 9: Accessions**

Without the necessity of a written instrument duly executed on behalf of each of the Parties any postal operator that is a postal administration within the meaning of the Universal Postal Convention can accede to this Agreement if they execute a Deed of Accession in the form of Annex 5 and deliver it to the Prime Project Manager on behalf of the chairman of the Steering Committee. The accession is subject to approval by the Steering Committee. The



accession shall be effective on the first day of the second month following the approval of the accession by the Steering Committee.

**Article 10: Severability**

If any of the provisions of this Agreement or its Annexes for any reason whatsoever is or becomes invalid or unenforceable or unperformable, the legal validity of the remaining provisions of the Agreement and its Annexes shall in no way be affected. The invalid, unenforceable or unperformable provision shall be replaced by a provision which comes as close as possible to achieving the economic effect of the invalid, unenforceable or unperformable provision.

**Article 11: Annexes – Entire Agreement**

The Annexes referred to in this Agreement are an integral part of this Agreement. This Agreement, together with the Annexes hereto, constitutes the entire agreement and understanding between the Parties.

**Article 12: Headings**

Headings in this Agreement are inserted for convenience only and are not to be considered part of this Agreement.

**Article 13: Assignment – Successors**

This Agreement may not be assigned by any Party without the prior written consent of the other Parties. All the terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective successors.

**Article 14: Arbitration**

Any disputes arising out of or in connection with this Agreement shall be finally and bindingly decided by an arbitration committee („the Arbitration Committee“). The members of the Arbitration Committee shall be independent of Parties to the dispute. Each Party or group of Parties shall appoint an arbitrator within a period of one month of notifying the chairman of the Steering Committee of the dispute or of being informed of such a notification by the chairman of the Steering Committee. If any of the Parties to the arbitration fails to do so, the chairman of the Steering Committee shall appoint an arbitrator within a further month. If the chairman of the Steering Committee represents a Party to the dispute, this decision shall be made by the Steering Committee.

If there is an even number of arbitrators, the arbitrators thus appointed shall have one month from the day on which the last of them was appointed to appoint another arbitrator to chair the Arbitration Committee. If they fail to do so, the chairman of the Steering Committee shall appoint this arbitrator within a further month. If the chairman of the Steering Committee represents a Party to the dispute, this decision shall be made by the Steering Committee.

The Arbitration Committee shall use its best efforts to render its decision within two months of its constitution. Its decision will be binding on the Parties involved in the dispute. The arbitration proceedings shall be conducted in the English language.

The Arbitration Committee shall decide which Party or Parties shall bear its costs.

**Article 15: Amendment**

The Steering Committee shall have the power to amend the Annexes to this Agreement. Amended Annexes shall be attached to the minutes of the Steering Committee meeting.

Notwithstanding the Steering Committee's power to amend the Annexes to this Agreement, this Agreement may be amended by the Parties at any time, but only by a written instrument duly executed on behalf of each of the Parties.

**Article 16: Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Netherlands.

In witness whereof, the Parties have caused this Agreement to be duly executed and delivered as of the date first above written.

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Empresa Brasileira de  
Correios e Telégrafos

---

Post Danmark

---

Finland Post Corporation

---

Deutsche Post AG

---

Iceland Post

---

An Post

---

Entreprise des Postes &  
Télécommunications

---

CTT Correios de Portugal  
SA

---

Correos y Telégrafos

---

Posten AB

---

Swiss Post

---

Royal Mail Group plc

### **List of Annexes**

- Annex 1: Definitions
- Annex 2: Service Feature Requirements
- Annex 3: Delivery Standards
- Annex 4: 
- Annex 5: Deed of Accession

## **Annex 1 – Definitions**

### **Agreement**

Registered Service Agreement.

### **Arbitration Committee**

Has the meaning attributed to it in Article 13.

[REDACTED]

### **Deed of Accession**

Deed to be executed by a postal administration within the meaning of the Universal Postal Convention wishing to accede to the Agreement.

[REDACTED]

[REDACTED]

[REDACTED]

### **IPC**

International Post Corporation.

[REDACTED]

### **Parties**

The parties having entered into this Agreement.

### **Prime Project Manager**

The person charged with administering the Expres Service Agreement of 23 December 1999 and this Agreement.

### **Receiving Party**

Has the meaning attributed to it in Article 2.

### **SDR**

Special Drawing Rights of the International Monetary Fund.

### **Sending Party**

Has the meaning attributed to it in Article 2.

### **Steering Committee**

[REDACTED]

Has the meaning attributed to it in Article 5.



**Universal Postal Convention**

The Universal Postal Convention in its current version. References in the Agreement are to the Articles of the 1999 Universal Postal Convention. As later Universal Postal Conventions enter into force, these references are to be read as to the corresponding Articles in those conventions even though the numbering may be different.

**UPU Letter Post Regulations**

The UPU Letter Post Regulations in their current version. References in the Agreement are to the Articles as revised following the 1999 Beijing Congress. As later revisions enter into force, these references are to be read as to the corresponding Articles in the most recent version even though the numbering may be different.



## Annex 2 – Service Feature Requirements

### 1) *Bar Code*

It is recommended that Sending Parties use the following bar code:



### 2) *Scans*



### 3) *Delivery Quality*



Further details and exceptions are set out in Annex 3.

**4) *Insured Mails***

On a voluntary basis, Parties can also exchange data on insured items.

**5) *Web-based Customer Service System***

The Parties shall use a Web-based customer service system for enquiries and exchanging authorization codes for settlement of claims.

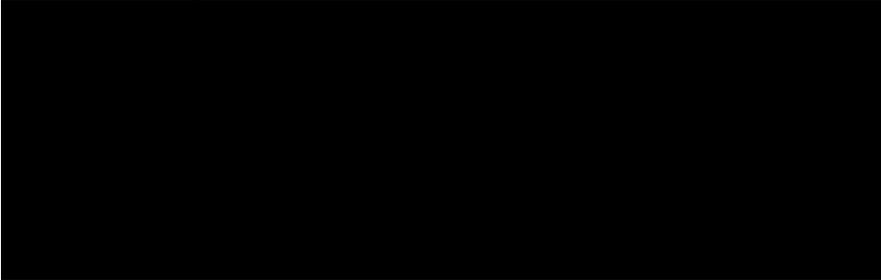
**6) *IPC Monitoring***

IPC shall monitor performance and shall produce a monthly performance report.

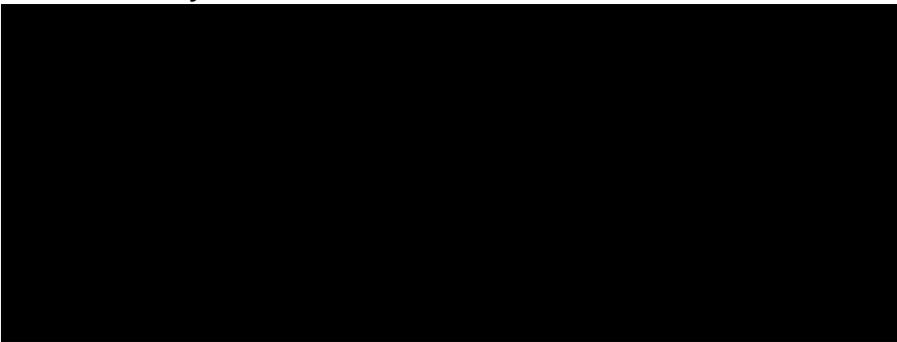
[REDACTED]

### Annex 3 – Delivery Standards

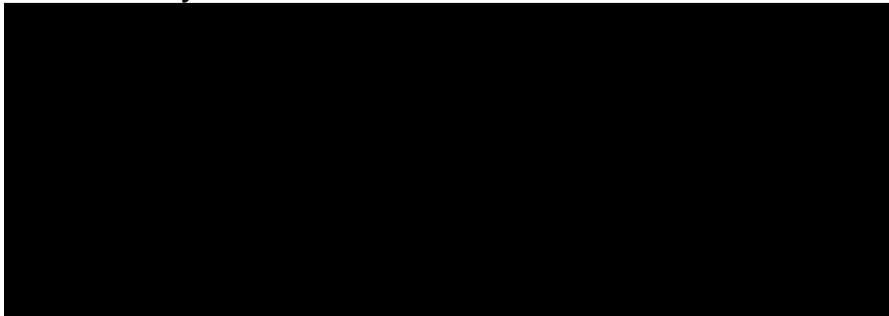
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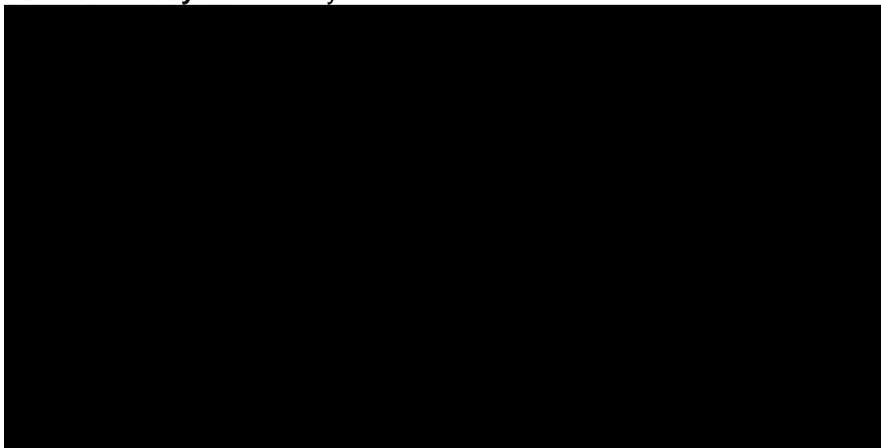
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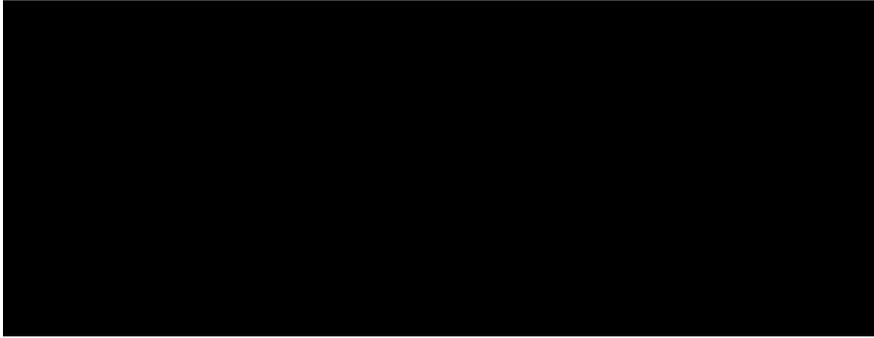
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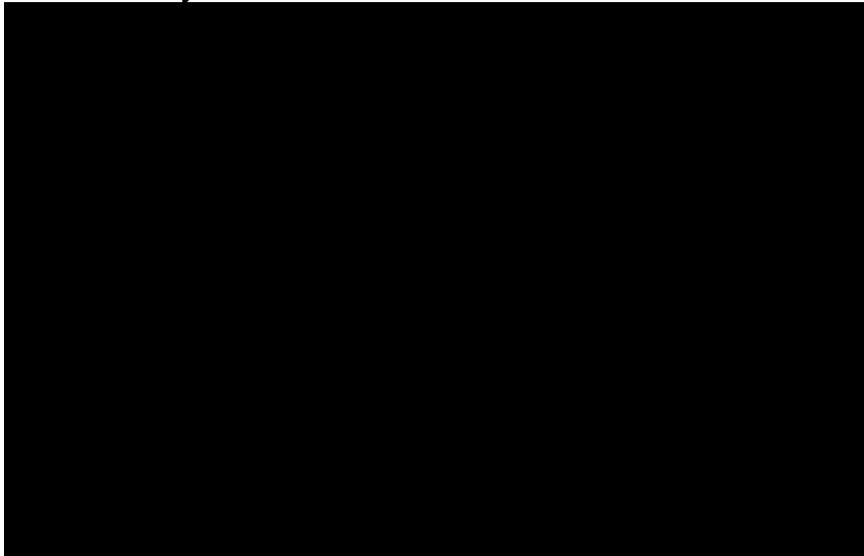
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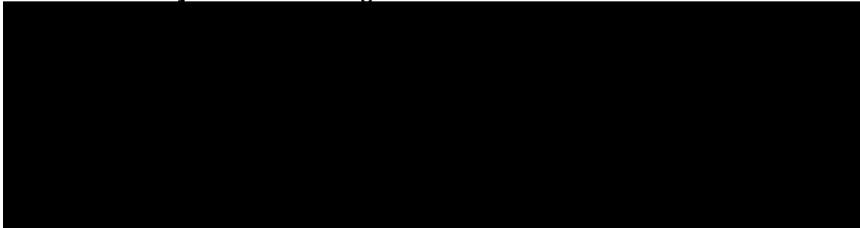
**Dest. Country:** Iceland



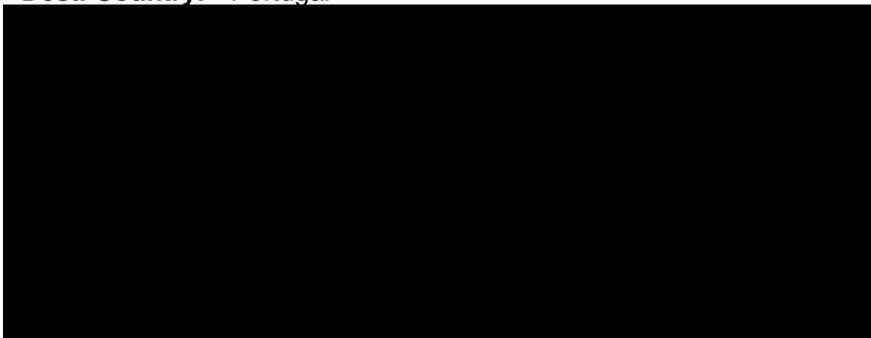
**Dest. Country:** Ireland



**Dest. Country:** Luxembourg

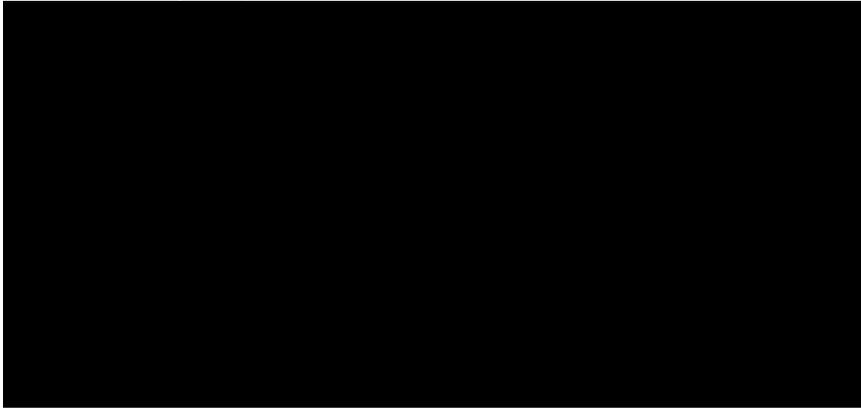


**Dest. Country:** Portugal

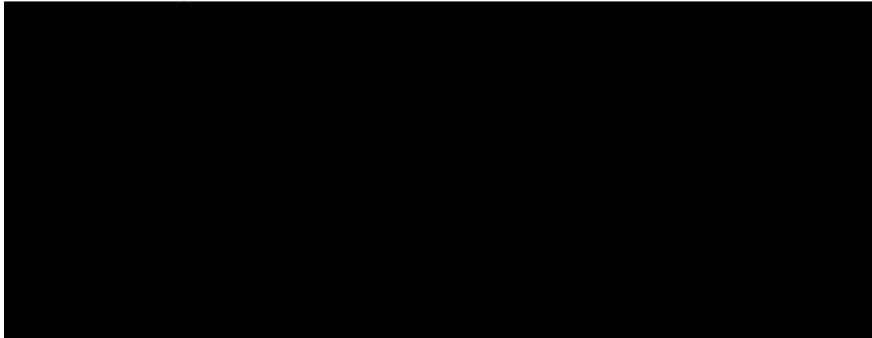




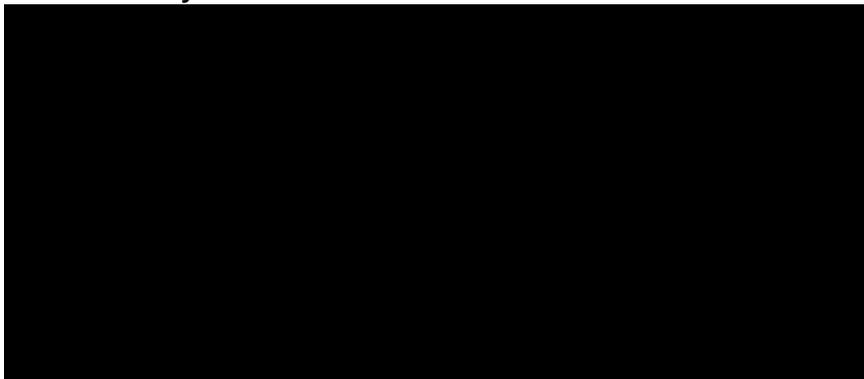
**Dest. Country:** Spain



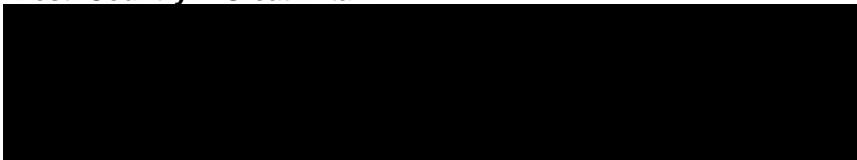
**Dest. Country:** Sweden

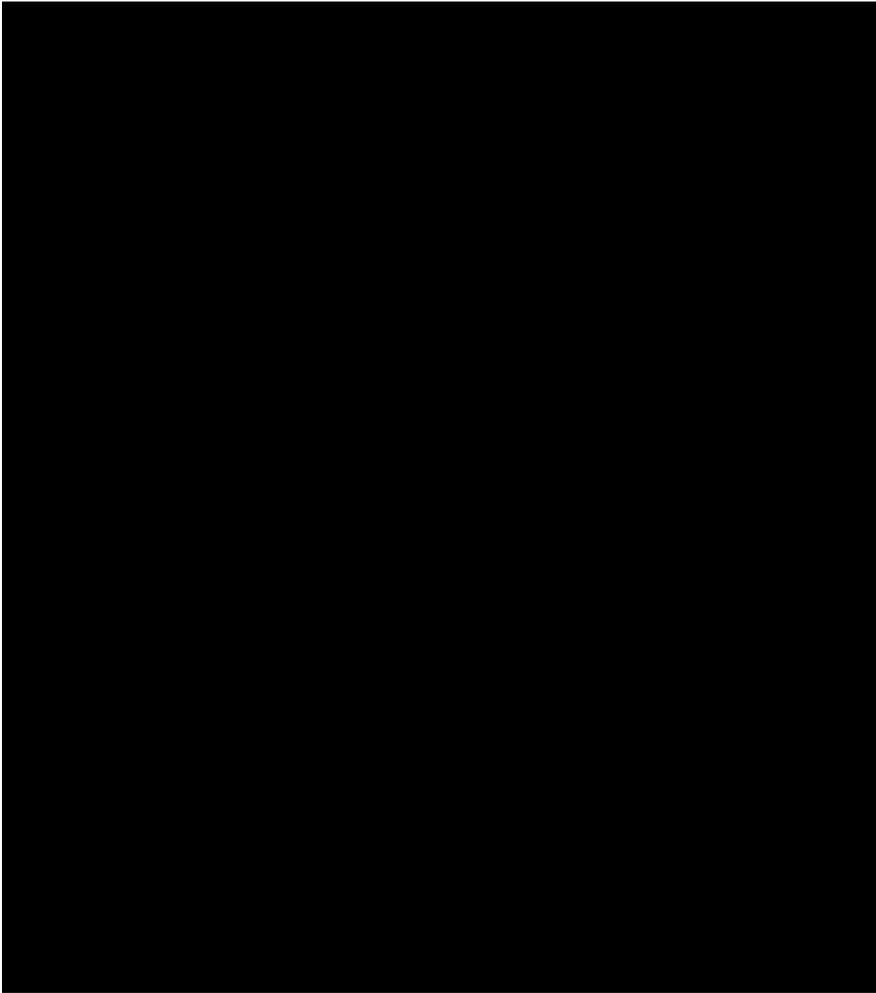


**Dest. Country:** Switzerland

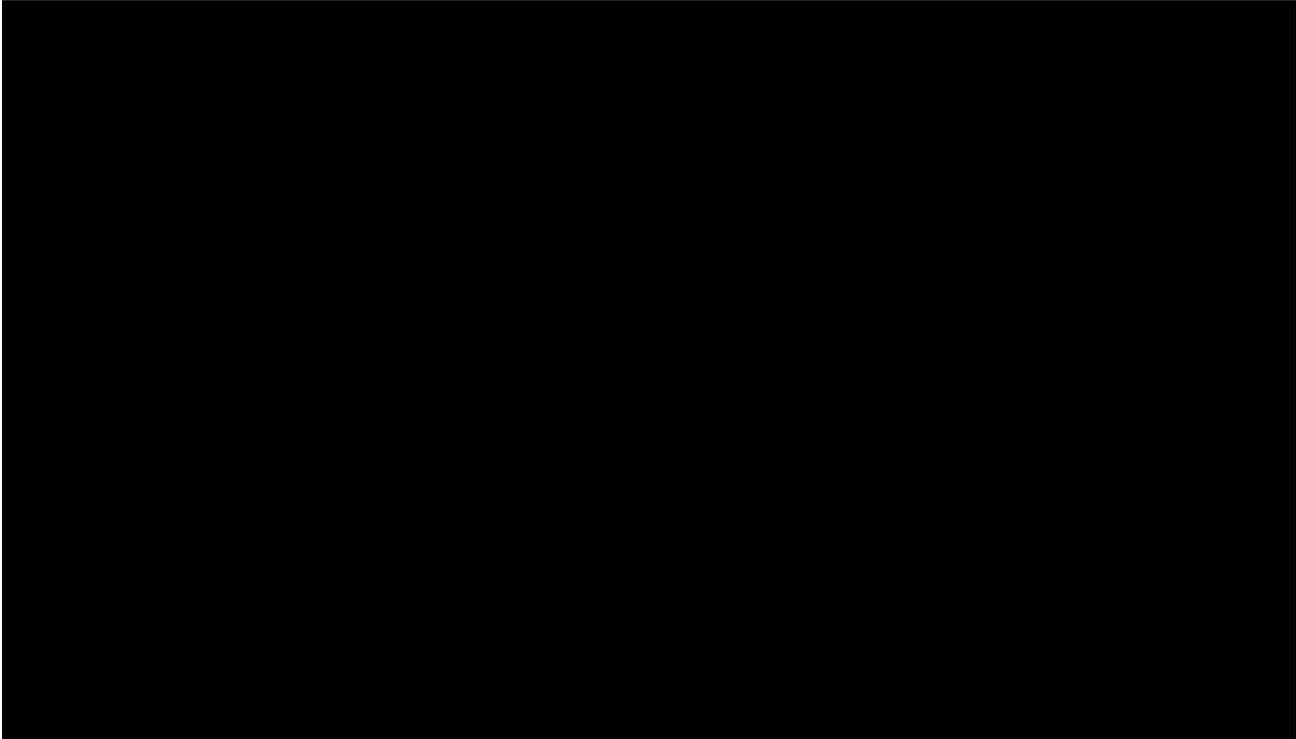


**Dest. Country:** Great Britain





**Annex 4 -** 



**Annex 5 – Deed of Accession**

.....

*THE "ACCEDING PARTY"*

a postal administration within the meaning of the Universal Postal Convention,

requests admission to the Registered Service Agreement, effective from the first day of the second month following the approval of the accession by the Steering Committee.

The Acceding Party undertakes to respect all the provisions of the Registered Service Agreement.

The Acceding Party attaches to this Deed of Accession proof of the undersigned's authority to represent the Acceding Party.

Signed at ..... On .....

.....

Signature



## **Annex 1 – Definitions**

**As amended by the Steering Committee on 8/9 November 2012**

### **Agreement**

Registered Service Agreement.

### **Arbitration Committee**

Has the meaning attributed to it in Article 13.

[REDACTED]

### **Deed of Accession**

Deed to be executed by a postal administration within the meaning of the Universal Postal Convention wishing to accede to the Agreement.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### **IPC**

International Post Corporation.

[REDACTED]

### **Parties**

The parties having entered into this Agreement.

### **Prime Project Manager**

The person charged with administering the Exprès Service Agreement of 23 December 1999 and this Agreement.

### **Receiving Party**

Has the meaning attributed to it in Article 2.

[REDACTED]

**SDR**

Special Drawing Rights of the International Monetary Fund.

**Sending Party**

Has the meaning attributed to it in Article 2.

**Steering Committee**

Has the meaning attributed to it in Article 5.



**Universal Postal Convention**

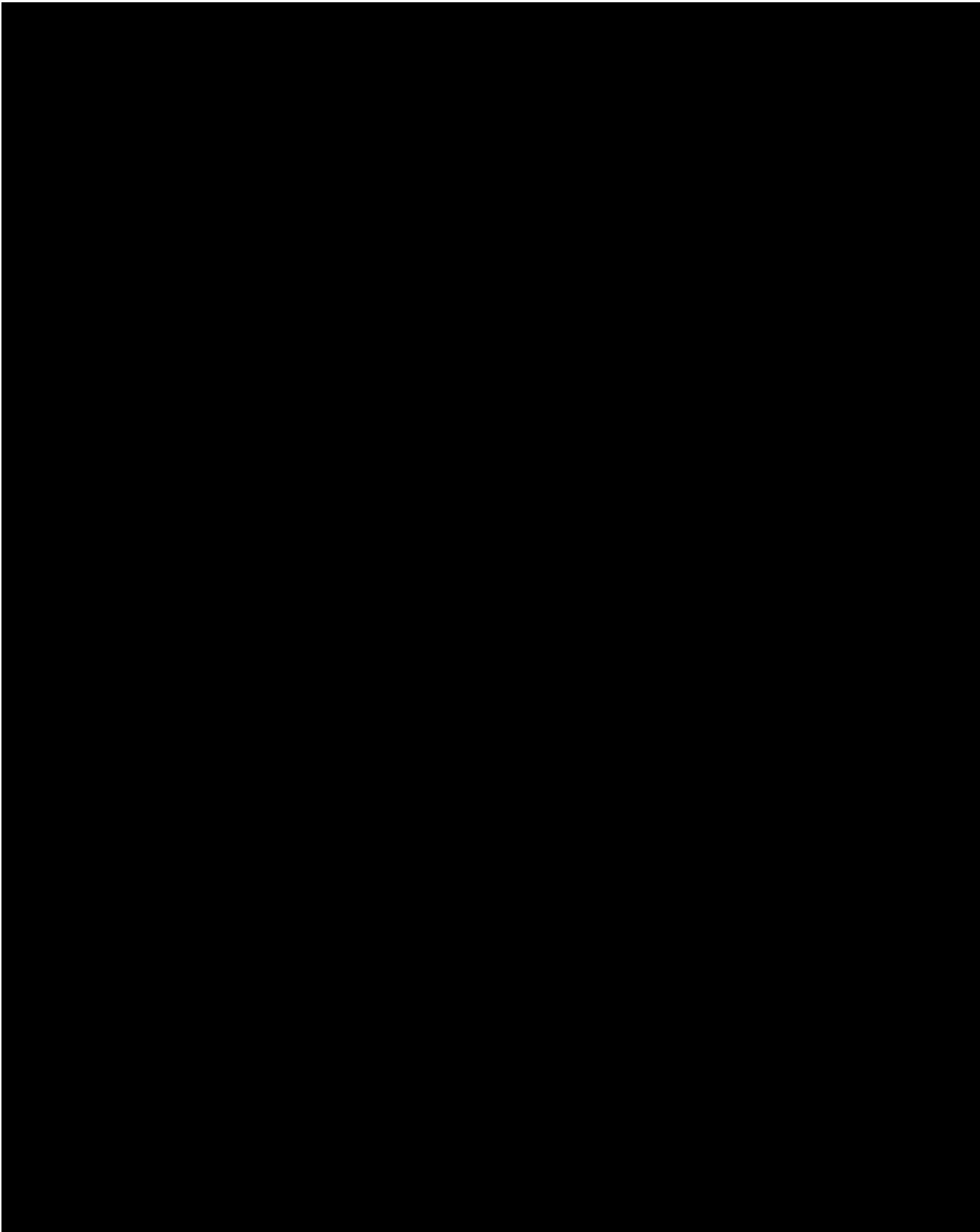
The Universal Postal Convention in its current version. References in the Agreement are to the Articles of the 1999 Universal Postal Convention. As later Universal Postal Conventions enter into force, these references are to be read as to the corresponding Articles in those conventions even though the numbering may be different.

**UPU Letter Post Regulations**

The UPU Letter Post Regulations in their current version. References in the Agreement are to the Articles as revised following the 1999 Beijing Congress. As later revisions enter into force, these references are to be read as to the corresponding Articles in the most recent version even though the numbering may be different.

**Annex 4 - [REDACTED]**

**As amended by the Steering Committee on 8/9 November 2012**





**Annex 5 – Deed of Accession – Registered service & customer service**

**US Postal Service**.....

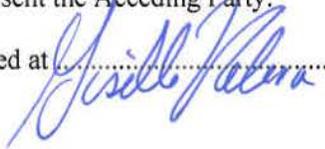
*THE "ACCEDING PARTY"*

a postal administration within the meaning of the Universal Postal Convention,

requests admission to the Registered Service Agreement, effective from **01 October 2013** ~~the first day of the second month following the approval of the accession by the Steering Committee.~~

The Acceding Party undertakes to respect all the provisions of the Registered Service Agreement.

The Acceding Party attaches to this Deed of Accession proof of the undersigned's authority to represent the Acceding Party.

Signed at  On *August 30, 2013*

**MANAGING DIRECTOR, GLOBAL BUSINESS  
AND VICE PRESIDENT**

**1602.5 Inbound Market Dominant Registered Service Agreement**

*Reference*

Docket No. MC2016-168 and R2016-6  
PRC Order No. [ ], [Month Day, Year]

*Expires*

Ongoing

## ATTACHMENT 4

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

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,<sup>1</sup> 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 Postal Service's accession to the Registered Service Agreement, which the Postal Service is requesting the Commission add to the market dominant product list of the Mail Classification Schedule. The Registered Service Agreement, documents related to the Postal Service's accession to the Registered Service Agreement, and supporting documents establishing compliance are being filed separately under seal with the Commission. A redacted copy of the Registered Service Agreement, including the Postal Service's accession to the Registered Service Agreement, is filed with the Notice as Attachment 2. In addition, redactions of three versions of an Excel file that includes the Postal Service's Annex 3, which sets forth the delivery times (targets) for the Postal Service under the agreement, as well as a redacted version of the supporting financial documentation are included with this public filing as separate Excel files.

The Postal Service hereby furnishes the justification required for this application by 39 C.F.R. § 3007.21(c) below.

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<sup>1</sup> PRC Order No. 225, Final Rule Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

**(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).<sup>2</sup> Because the portions of the materials that the Postal Service is 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 the Postal Service's determination that these materials are exempt from public disclosure and requests the Commission to grant the Postal Service's 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 parties with a proprietary interest in the materials are the International Post Corporation (IPC) and the other parties to the Registered Service Agreement. The Postal Service has already informed the IPC and the other parties to the Registered Service Agreement, in compliance with 39 C.F.R. §

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<sup>2</sup> 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.

3007.20(b), of the nature and scope of this filing and the IPC's and the parties to the Registered Service Agreement's ability to address their confidentiality concerns directly with the Commission. Because of language and cultural differences as well as 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 to the relevant postal operators. The Postal Service identifies as an appropriate contact person Mr. Mico Milanovic, Manager, Regional Business Development, Global Business, United States Postal Service, 475 L'Enfant Plaza SW, Room 5301, Washington, DC 20260. Mr. Milanovic's telephone number is 202-268-5348 and his e-mail address is mico.milanovic@usps.gov.<sup>3</sup>

**(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 a copy of the Registered Service Agreement, documents related to the Postal Service's accession to the Registered Service Agreement, and financial workpapers associated with the Postal Service's accession to the Registered Service Agreement. These materials were filed under seal, with redacted copies filed publicly. The Postal Service maintains that the redacted portions of the Registered Service Agreement, the documents related to the Postal Service's

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<sup>3</sup> 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.

accession to the Registered Service Agreement, and related financial information should remain confidential.

With regard to the copy of the Registered Service Agreement filed in this docket, the redactions withhold the rate information included in the Registered Service Agreement and information concerning the quality of service performance under the Registered Service Agreement, as well as certain negotiated terms.

The redactions to the Postal Service's Annex 3 withhold information concerning the delivery times (targets) that shall apply to the Postal Service under the Registered Service Agreement.

With regard to the financial workpapers associated with the Postal Service's accession to the Registered Service Agreement filed in this docket, the redactions applied to the financial workpapers 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 the redactions described above 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 Registered Service Agreement and the documents related to the Postal Service's accession to the Registered Service 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 and quality of service performance information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Foreign postal operators that are not parties to the Registered Service Agreement could use the information to their advantage in negotiating the terms of their own agreements with the Postal Service. Competitors could also use the information to assess the terms that apply to the Postal Service under the Registered Service Agreement, for any possible comparative vulnerabilities and focus sales and marketing efforts on those areas, to the detriment of the Postal Service. This latter concern applies to the extent that the prices in the filed Agreement cover market dominant services for which competition exists; and monopoly letters, to the extent that competing providers are not fully cognizant of or compliant with the Private Express Statutes. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the redacted material.

The financial workpapers include specific information such as costs, assumptions used in pricing decisions, the negotiated prices themselves, 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 statutory, regulatory, and policy constraints within which the Postal Service is operating. 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 negatively affect the Postal Service in certain 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 other Parties to the Agreement 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. Foreign postal operators who are parties to the Registered Service Agreement could use the information in the workpapers in their negotiations with the Postal Service.

Price information in the Registered Service Agreement and financial spreadsheets also consists of sensitive commercial information of the foreign postal operators that are parties to the Registered Service Agreement. Disclosure of such information could be used by competitors of these foreign

postal operators to assess each of these foreign postal operator's underlying costs, and thereby develop a benchmark for the development of a competitive alternative. The foreign postal operators that are parties to the Registered Service Agreement 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 under the Registered Service Agreement. The other postal operator then uses the publicly available rate information to insist that it must receive lower rates for a similar service.

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

Hypothetical: A competing delivery service obtains unredacted versions of the financial workpapers from the Postal Regulatory Commission's website. The competitive delivery service 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. The competing delivery service then sets its own rates below

that threshold for products similar to what the Postal Service offers its customers 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 several of the Postal Service's competitors acting in a likewise fashion, could significantly cut into the revenue streams upon which the Postal Service relies to finance provision of universal service.

Harm: Public disclosure of information in the financial workpapers would be used detrimentally by the foreign postal operator's competitors.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the financial workpapers from the Postal Regulatory Commission's website. The competitor analyzes the workpapers to assess the foreign postal operator's underlying costs for the corresponding products. The competitor uses that information as a baseline to negotiate with U.S. companies to develop lower-cost alternatives.

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

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

public materials. This includes the other current parties to the Registered Service Agreement with respect to all materials filed under seal except for the text of the Registered Service Agreement, to which other parties to the Registered Service Agreement already have 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.