

MICHAEL J. REGAN
DIRECTOR
INTERNATIONAL POSTAL AFFAIRS



December 20, 2004

Ms. Ruth Chen
Section Chief
International Service Section
Department of Mail Business
Chunghwa Post
Taipei
TAIWAN

Fax: +886 2 2391 8302

Dear Ms. Chen:

I am now writing to seek your confirmation that effective January 1, 2005, the U.S. Postal Service and your administration shall apply the EMS Cooperative's Pay-for-performance Plan. This version of the Plan will remain in effect until December 31, 2007. I would appreciate receiving your formal confirmation by December 31, 2004, that your administration agrees to apply this EMS Pay-for-performance Plan reciprocally with the U.S. Postal Service from January 1, 2005.

The version of the Pay-for-performance Plan to be applied between our two administrations is that of January 1, 2003, which has been signed by me and the American Institute of Taiwan. In that version of the plan, the delivery threshold level for 2005 is 94 percent with a payment of 80 percent of the rate for penalty items. We would accept starting with the level of 90 percent for both in 2005 or a delivery threshold of 92 percent and a payment of 85 percent of the rate for penalty items. Please let me know which version you would like to employ in your response.

I have enclosed a document that confirms important information related to the settlement of accounts for EMS traffic to be covered under the Pay-for-performance Plan (that is, physical and email addresses as well as telephone and fax numbers of our International Accounts Branch and the bank accounts to be used). Please provide settlement data with your formal confirmation.

By this letter, I confirm that from January 1, 2005, the present rates of 3.5 SDR per document and 5 SDR per merchandise will remain in effect. We will provide a new rate structure with a per item and per kilo delivery charge in the very near future as we have indicated earlier. We also ask that you inform us timely of any rate changes as mentioned in Article 3 of the Plan.

Sincerely,

A handwritten signature in black ink, appearing to read "M. J. Regan", written over a horizontal line.

Michael J. Regan

Enclosure

100 E. Linn Street
Alexandria, VA 22309-6426
Tel: 703-292-6619
Fax: 703-292-4100
www.usps.com



Chunghwa Post Co., Ltd.
Republic of China

CHUNGHWA POST CO., LTD.
Taipei 10603, Taiwan
Republic of China
Tel : 886-(2)23921310-9
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Mr. Michael J. Regan
Director
International Postal Affairs
United States Postal Service
475 L'Enfant Plaza SW
Washington DC 20260-6500
U. S. A.
Fax: +1 703 292 4030

Your reference	Our reference	Date
	0930401668	December 29, 2004

Dear Mr. Regan,

Please refer to your letter dated December 20, 2004 addressed to my assistant, Ms. Ruth Chen, concerning the confirmation of the Pay-for-performance Plan for EMS Cooperation to be effective as from January 1, 2005:

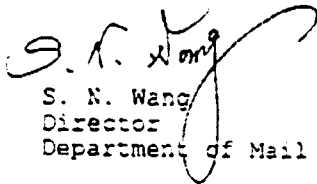
We would like to let you know that we will adopt starting with the level of 90 percent for both in 2005. In addition, information regarding the settlement of accounts for EMS traffic to be covered under the PFP plan is attached for your reference.

We would like to confirm the receipt of your settlement data for EMS Pay-for-performance Plan. In return, we are attaching herewith our information related to the settlement of accounts concerned. In addition, EMS delivery payments in Chunghwa Post were equal to yours in 2005. If there are any rate changes, we will inform you.

We are sure that the implementation of the EMS Pay-for-performance Plan will upgrade postal EMS service quality and will receive affirmation from postal customers at both ends.

Wishing you a Merry Christmas and a Happy New Year.

Best regards,


S. N. Wang
Director
Department of Mail Business

Encl.

Schrage, Barbara

From: Delehanty, Dennis M [DelehantyDM@state.gov]
Sent: Thursday, November 17, 2005 5:30 PM
To: Schrage, Barbara
Cc: Brian Hutchins (E-mail); Wood, Christopher S
Subject: Question re Postal Agreement: Taiwan EMS PFP



TW Agreement.pdf

Barbara:

See below. I hope that this was the information that you needed. Please let me know if you have any questions on this subject.

Regards,

Dennis

-----Original Message-----

From: Hutchins, Brian T - Rosslyn, VA [mailto:brian.t.hutchins@usps.gov]
Sent: Thursday, 17 November 2005 13:55
To: Delehanty, Dennis M
Cc: Wood, Christopher S; Emerson, Lea - Rosslyn, VA
Subject: RE: Question re Postal Agreement: Taiwan EMS PFP

Dennis,

I have attached the letters from Mike Regan to Taiwan and their acceptance letter. The date of implementation of the plan was January 1, 2005. If you could forward this to Barbara and make sure you keep a copy as well for future records, I would appreciate it. I apologize for not sharing these with you earlier as you should have already had a copy of these documents.

Brian

-----Original Message-----

From: Delehanty, Dennis M [mailto:DelehantyDM@state.gov]
Sent: Thursday, November 17, 2005 11:34 AM
To: Hutchins, Brian T - Rosslyn, VA
Cc: Wood, Christopher S; Emerson, Lea - Rosslyn, VA
Subject: FW: Question re Postal Agreement: Taiwan EMS Pfp

Brian:

See below. Could you help? Also, if you have a PDF scanned file of the signed agreement, or relevant correspondence, that would be very helpful.

Dennis

> -----Original Message-----

> **From:** Schrage, Barbara(AIT)
> **Sent:** Thursday, 17 November 2005 11:33
> **To:** Delehanty, Dennis M
> **Cc:** English, Yermay

> Subject: Question re Postal Agreement
>
> Hi, Dennis. This is a question from the past. We are trying to
submit an
> updated list of AIT-TECRO agreements to the Federal Register. The
> agreement signed in 2004 for application of an EMS (express mail
service)
> pay-for-performance plan specifies that it will enter into force on a
date
> agreed to by the two designated representatives. Could I trouble you
to
> use your postal contacts to determine what date was agreed to for
entry
> into force? Many thanks in advance and regards, Barbara

AGREEMENT BETWEEN THE
AMERICAN INSTITUTE IN TAIWAN
AND THE
TAIPEI ECONOMIC AND CULTURAL REPRESENTATIVE OFFICE
IN THE UNITED STATES
ON THE
APPLICATION OF AN EMS (EXPRESS MAIL SERVICE)
PAY-FOR-PERFORMANCE PLAN

**Article 1
Agreement**

The American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Office in the United States (TECRO) agree to apply the attached EMS Pay-for-performance Plan (the Plan).

**Article 2
Designated Representatives**

1. AIT's Designated Representative, the U.S. Postal Service, shall carry out the responsibilities of the Participating Administration in the application of the Plan.
2. TECRO's Designated Representative, the postal administration of Taiwan, shall carry out the responsibilities of the Participating Administration in the application of the Plan.

**Article 3
Entry into force and duration**

AIT and TECRO, through their Designated Representatives, shall agree on the date of entry into force of the Plan, the duration of application of the Plan, and any amendments to the Plan.

FOR THE AMERICAN INSTITUTE
IN TAIWAN

Barbara J. Schrage

3/5/04

Date

FOR THE TAIPEI ECONOMIC AND
CULTURAL REPRESENTATIVE
OFFICE IN THE UNITED STATES

David Z. Tam

Aug 25, 2004

Date

EMS Pay-for-performance Plan

(Version of 1 January 2003)

Article 1 Definitions

- a. "Participating Administration" means a postal administration which adheres to the provisions of the Plan.
- b. "D Event" means the date and time that an EMS item is received at the destination office of exchange.
- c. "E Event" means the date and time that an EMS item is handed over to Customs.
- d. "F 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. "H Event" means the date and time of an attempted but unsuccessful delivery of an EMS item.
- f. "I Event" means the date and time of a successful delivery of an EMS item.
- g. "On-time Transmission" means transmission of data related to events D, H and I no later than noon local time on the day after the event took place.
- h. "Delivery standards" means sufficient information transmitted to the postal networks in order to measure a Participating Administration's service performance for the purpose of this Plan.
- i. "Validated Delivery Standards" means sufficient information transmitted to the postal networks in order to measure a Participating Administration's performance.
- j. "On-time Delivery" means an attempted or successful delivery in accordance with the Validated Delivery Standards of a Participating Administration.

Article 2 Eligibility

- a. A postal administration that fulfils the requirements below shall be considered eligible to be a Participating Administration:
 - i. use of the standard EMS identifier and bar code on all of its outward EMS items;
 - ii. transmission of sufficient data in its EMS event messages so that its delivery performance may be measured against its Validated Delivery Standards;
 - iii. obtainment of Validated Delivery Standards.

Article 3
Delivery charges

The EMS delivery charges that Participating Administrations apply during a given year to EMS items delivered under the EMS Pay-for-performance Plan shall be those that are in effect on 1 January of that year. A Participating Administration may only increase its EMS delivery charges by announcing the increase by 31 August of the year prior to which the increase will take effect.

Article 4
Calculation of inter-administration payments

- a. Inter-administration delivery payments shall be based on net flows of EMS traffic between Participating Administrations. In the event that administrations reciprocally apply separate rates for items containing documents and for merchandise, the net flow of items containing documents and merchandise shall be calculated separately.
- b. The percentage of the delivery charge to be applied between Participating Administrations shall be based on the percentage of items delivered on time (On-time Delivery) and the percentage of items for which data is transmitted on time (On-time Transmission) for each inter-administration link, as defined in paragraphs d, e and f.
- c. If an item is handed over to Customs, E event data followed by F event data should be transmitted. On-time Delivery is measured from the D event unless an E event and an F event are also transmitted. In this case, On-time Delivery is measured from the F event.
- d. In 2003, the percentage of the delivery charge to be applied shall be as shown in the chart below.

D event	H/I event	On-time Transmission of H/I event	On-time Delivery	Percentage of delivery charge for items below the incentive threshold (see paragraphs e and f)
Yes	Yes	Yes	Yes	100%
Yes	Yes	No	Yes	90%
Yes	Yes	Yes	No	90%
No	Yes or No	Yes or No	Yes or No	0%
Yes or No	No	Yes or No	Yes or No	0%

- e. Inter-administration payments shall also include an incentive target or threshold for On-time Delivery and On-time Transmission of event data. Administrations that reach this threshold will have achieved the performance target and will not be penalized for failures related to On-time Delivery and On-time Transmission. These failures include late delivery, late data transmission and the anomalies in attachment 1.

During calendar year 2003, the incentive threshold shall be set at 90%. This means that an administration that achieves On-time Delivery and On-time Transmission for 90% or more of the items that it receives from another Participating Administration, shall receive 100% of its delivery charge for all items from that administration, as long as D and H or I

events have been transmitted for these items. If 90% service performance for On-time Delivery and On-time Transmission is not reached, only the percentage of items under the threshold will be penalized at the percentage indicated above. (For example, if an administration reaches 85% performance, only 5% of the items will be penalized.)

In 2003, the minimum amount that the destination administration will receive for items for which there is a D and H or I event and that are either delivered late or for which event data are transmitted late is 90% of that administration's EMS delivery charge.

- f. For 2003 through 2006, the percentage of delivery charge paid for penalized items and the incentive threshold will be as follows:

Year	% delivery charge paid for penalized items below threshold	Threshold
2003	90%	90%
2004	85%	92%
2005	80%	94%
2006	75%	96%

- g. Each Participating Administration shall receive a quarterly payment document that shall show the number of items for which D, H or I event data was transmitted, the number of items delivered in accordance with each Participating Administration's Validated Delivery Standards, and the number of items for which D, H and I event data were transmitted on time.
- h. If a Participating Administration pays a separate delivery charge for documents and merchandise, it shall transmit the necessary data so that a separate quarterly payment document for document and merchandise items may be produced. If the Participating Administration does not transmit the necessary data so that a separate quarterly payment document for document and merchandise items may be produced, all items shall be considered as merchandise.

Article 5

Delivery standards

- a. Participating Administrations may revise their Validated Delivery Standards quarterly. The Delivery Standards that apply for any given quarter must be communicated to the other Participating Administrations one month prior to the beginning of the quarter for which the revised standards come into effect.
- b. The Validated Delivery Standards for each designated office of exchange must cover the entire territory of a postal administration to which EMS items are delivered.
- c. The three classes of Validated Delivery Standards are described in attachment 2.
- d. The Participating Administration agrees to only send EMS items to offices of exchange designated for the receipt of EMS dispatches and for which Validated Delivery Standards have been established. EMS items that arrive at non-designated offices of exchange shall be sent to designated offices of exchange for the scanning of the D Event.

Article 6
Accounting procedures

The accounting procedures to be applied between Participating Administrations under the Plan are in attachment 3.

Article 7
Exchange of event data

Each Participating Administration agrees to receive all tracking events data that are transmitted by all other Participating Administrations with which it applies this Plan.

Article 8
Related arrangements

Except as specifically provided in the Pay-for-performance Plan, all other arrangements respecting the exchange of EMS items between the Participating Administrations shall remain in effect.

Anomalies*1 Anomalies for which 90% 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 D 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. This anomaly does not apply if the destination administration has only one OE.	If a D and H or I scan is transmitted, it shall be considered that the item was received at a destination OE and a reduced payment should therefore be made to the destination administration. Apply 90% payment.
2	Invalid or missing delivery zone indicator	If the information required to identify the delivery zone in the H/I event is not transmitted, performance measurement against the Validated Delivery Standards is not possible. This anomaly does not apply if the destination administration has only one delivery zone.	If an H or I scan is transmitted, it shall be considered that the item was accepted and that delivery was made or attempted. A reduced payment should therefore be made. Apply 90% payment.
3	Events out of sequence	If the date or time of the H/I event is earlier than the date or time of the D event, performance measurement is not possible.	It shall be considered that the item was accepted and delivery was made or attempted. A reduced payment should therefore be made. Apply 90% payment.

2 *Anomalies which have no effect on payments*

No.	Anomaly	Description	Disposition
4	Both H and I events	If both an H and I event is 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.	If the earliest delivery event is transmitted within the Validated Delivery Standards, then full payment will be made.
5	Time zone	If a Participating Administration transmits event data during different time zones, it could be penalized unfairly for late transmission.	For measurement purposes, it shall be considered that event times and transmission times occur in the same time zone. Each Participating Administration must confirm the time zone that applies for all its event transmissions.
6	Missent items: wrong destination administration	If an item is received at an OE and receives a D scan, and it is then discovered that the item is addressed to another administration, the item will not be included in the payment documents or pay-for-performance reports. An item received at the wrong destination administrations should receive an H scan before it is dispatched to the correct destination administration.	If an appropriate reason code for such item is included in the H event data, the measurement system could be modified so that these missent items are excluded from the payment documents and pay-for-performance reports.
7	Duplicate item identifiers	If a destination administration receives an item whose identifier duplicates that of an item dispatched within the last 14 months by the same administration, the item cannot be included in the performance reports, but will be listed in the Anomaly Files	Since the origin administration should ensure that each of its outbound EMS items has a unique item identifier, the destination administration should not be penalized for duplicate item identifiers. The destination administration shall receive full payment for any such items that have a duplicate item identifier.

No.	Anomaly	Description	Disposition
8	Non-standard item identifier	If a destination administration receives an item whose identifier does not conform to the 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.	Since the origin administration should ensure that each of its outbound EMS items carries the standard 13-character item identifier, the destination administration should not be penalized for non-standard item identifiers. The destination administration shall receive full payment for such items.

Description of the three classes of EMS Validated Delivery Standards

The chart below shows the three classes of EMS Validated Delivery Standards and the data required for transmission for each of the three classes.

The "delivery zone" refers to the areas of an administration where EMS items are delivered on a given day. For example, areas where items are delivered the same day as 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.

Class	Exchange offices	Delivery zones	Information required in event messages
Class 1	One	One	Event + item identifier + destination administration + date + time
Class 2	One	More than one	[Data in Class 1] + delivery zone identifier (e.g., postcode, delivery depot code, province code or other appropriate code)
Class 3	More than one	More than one	[Data in Class 2] + office of exchange code

Accounting procedures

Postal administrations participating in the EMS Pay-for-performance Plan shall apply the following procedures to their quarterly settlement and payment of accounts.

1 *Delivery charges*

Delivery charges to be applied are described in Article 3 of the EMS Pay-for-performance Plan.

2 *Basis of payment*

Quarterly payment documents produced by the monitoring organization (currently International Post Corporation) shall be the basis of inter-administration payments in the EMS Pay-for-performance Plan.

3 *Payment documents and supporting documents*

The supporting documentation shall be the following tables produced by IPC as part of the EMS Pay-for-performance Plan:

Table	Name
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
3a	Accounting document

All of these tables, except table 3a, shall be produced quarterly only. Quarterly tables 1a through 1f shall be in PDF format so that they may not be altered. Quarterly tables 2a, 2b and 3a shall be produced in Excel format for accounting use.

IPC shall e-mail the quarterly payment documents (tables 1a through 1f, as applicable) and the supporting documents to Participating Administrations in principle 3 days after receiving confirmation that the data in the last monthly report of the quarter is accepted by the administration. The reports shall include event data received by IPC by the 10th day of the month following the last month of the quarter. The EMS Unit shall in turn e-mail the quarterly payment documents to participating postal administrations two working days after receiving the documents from IPC. At the same time IPC will send flat files with supporting data directly to each Participating Administration. Each Participating Administration will have 15 days from time of receipt of the monthly reports and quarterly payment documents from the EMS Unit to raise questions on the data.

4 Verification of payment documents and issuance of invoices

Upon receiving the quarterly payment document, each administration shall:

- verify the amounts in the quarterly payment document, and
- determine with which administrations it is a net creditor.

In cases where the administration is a net creditor, it shall create an invoice in the same format as the quarterly payment document, and send the signed invoice within 14 days after receiving the quarterly payment document from the EMS Unit. (This may easily be accomplished by inserting page breaks in the Excel file containing the payment document, and printing the individual pages.)

The net debtor administration to which the invoices are sent shall verify the information in the invoices and either send the signed invoice to the net creditor administration or communicate its proposed amendments within 14 days.

The net debtor administration shall pay invoices within 60 days after they are accepted. The method of payment shall be agreed between Participating Administrations.

EMS Pay-for-Performance - Force majeure

Article 1 Force majeure

1 A Participating Administration is not liable for any penalties under the Plan if it fails to perform any of its obligations under the Plan insofar as it proves in accordance with Article 3:

- a. the failure was due to an impediment beyond its reasonable control; and
- b. the Participating Administration 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
- c. it could not have reasonably avoided or overcome such an impediment, or at least its effects.

1.1 Impediment examples

An impediment within the meaning above can result from events such as the following, this enumeration not being exhaustive:

- a. war, whether declared or not, civil war, riots and revolutions, acts of piracy, acts of sabotage, acts of terrorism;
- b. natural disasters, such as violent storms, cyclones, volcanic activity, earthquakes, tidal waves, floods, destruction by lightening;
- c. explosions, fires, destruction of machines, of factories, and of any kind of installations;
- d. 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 1.2 below;
- e. failure of the EDI service supplier used for data transmissions.

1.2 Impediment exclusions

For the purposes of paragraph 1 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 Article 2 below).

Article 2 Strikes

2 The definition of a strike, for the purposes of this document, is the serious interruption of normal operations due to industrial action.

2.1 Internal strike

2.1.1 An internal strike is a strike within a Participating Administration's organization which causes disruption to processing and delivery of EMS items or to the provision of On-time Transmission about EMS items.

2.1.2 If such an internal strike takes place, the Participating Administration on strike cannot apply for a deduction of the penalties it may incur under the Plan for failing to meet service delivery standards or make On-time Transmission because of the internal strike. After the strike, any other Participating Administration facing an increase in the volume of parcels received from the Participating Administration on strike can apply for an exemption from any penalties that may otherwise apply under the Plan for the first two days after the strike period.

2.2 External strike

An external strike is a strike which does not involve the Participating Administration itself but nevertheless affects that Participating Administration's ability to handle EMS items or provide On-time Transmission about EMS items. If an external strike takes place, the Participating Administration 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 the external strike, any other Participating Administration facing an increase in the volume of EMS items received from the Participating Administration 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.

Article 3 Application of force majeure

3 A Participating Administration wishing to apply for an exemption from the penalty provisions under the Plan for failure to meet Delivery Standards or On-time Transmission due to an event of force majeure must adhere to the following process:

- a. the Participating Administration must notify the EMS Unit in writing, by e-mail, by fax or by letter, within 24 hours of any event of force majeure first becoming known.
- b. at the same time the affected Participating Administration must also inform in writing, by e-mail, by fax or by letter, all other Participating Administrations with whom they have a Pay-for-Performance agreement whose EMS service (inbound or outbound) will be affected.
- c. the affected Participating Administration must inform the EMS Unit in writing, by e-mail, by fax or by letter, within 24 hours of it first becoming known that normal service has resumed.
- d. at the same time the affected Participating Administration must also inform other Participating Administrations with whom they have a Pay-for-Performance agreement that normal service has resumed.
- e. the final decision regarding any exemptions from penalties under the Plan will be by agreement between the affected Participating Administrations. Any failure to reach agreement will be dealt with in accordance to the dispute or arbitration provisions included in bilateral agreements between Participating Administrations.
- f. the Pay-for-Performance reports will reflect whatever decision has been made with an explanation stating the time period and total number of items for which dispensation was allowed and the reason why.