

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2011-5

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2
(May 11, 2011)

Chairman's Information Request (CHIR) No. 2 was issued on May 6, 2011. The request sought answers no later than May 11, 2011. Attached are the Postal Service's responses to Questions 1-4.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 11, 2011

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
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1. Please refer to the Response of the United States Postal Service to Chairman's Information Request No. 1, April 29, 2011, question 4, and the associated Excel workbook "MB fin.xls." Please confirm that the Postal Service projects a reduction in contribution, ranging from (\$1.54 million) to (\$4.63 million), as a result of this promotion.

RESPONSE:

Yes, the Postal Service expects a reduction in revenue of the amounts quoted above.

Based on feedback from mailers since the date of filing, the reduction in contribution is expected to be at the higher end of the initial estimate.

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2. Please identify specific aspects of the proposed program that “enhance the performance of mail preparation, processing, transportation, or other functions....” See 39 U.S.C. 3622(c)(10)(A)(ii).

RESPONSE:

In the Postal Service's view, the quoted provision does not apply.

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3. In response to Chairman's Information Request No. 1, question 1, the Postal Service stated "the Mobile Barcode Promotion is being implemented by providing a 3 percent discount off the entire Postage Statement, which is the only way the Postal Service and the industry could make the system changes to support the program." The following questions concern the implementation costs to the Postal Service and the mailing industry associated with the system changes necessary to implement the program. For illustrative purposes, the questions refer to PS Form 3602-R1, the current Postage Statement form for Standard Commercial Mail. That form can be found at <http://www.usps.com/forms/pdf/ps3602r.pdf>.
- a. Please provide a sample of the Postage Statement form, such as 3602-R1 (Standard Commercial Mail), that will be used to implement the program as proposed.
 - i. Please explain what system changes the Postal Service will have to make to use these Postage Statement forms.
 - ii. Given that PS Form 3602-R1 is used for all shapes of Standard Mail, please discuss the mechanism for calculating the total amount of the discount if the mailing contains mailpieces eligible for the program, such as Standard Mail Letters, and mailpieces ineligible for the program, such as Standard Mail Parcels, using this form.
 - iii. Please estimate the cost to the Postal Service of implementing the changes to use these Postage Statement forms.
 - iv. Please explain what system changes the mailing industry will have to make to use these Postage Statement forms.
 - v. Please estimate the cost to a representative mailer of implementing the changes to use these Postage Statement forms.
 - b. Please provide a sample of a Postage Statement form, such as 3602-R1 (Standard Commercial Mail), that would calculate the discount for each eligible mail subpart, e.g., line A23 for Part A Automation Letters or F27 for Part F Carrier Route Flats.
 - i. Please explain what system changes the Postal Service will have to make to use these Postage Statement forms.
 - ii. Given that PS Form 3602-R1 is used for all shapes of Standard Mail, please discuss the mechanism for calculating the total amount of the discount if the mailing contains mailpieces eligible for the program, such as Standard Mail Letters, and mailpieces ineligible for the program, such as Standard Mail Parcels, using this form.

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- iii. Please estimate the cost to the Postal Service of implementing the changes to use these Postage Statement forms.
 - iv. Please explain what system changes the mailing industry will have to make to use these Postage Statement forms.
 - v. Please estimate the cost to a representative mailer of implementing the changes to use these Postage Statement forms.
- c. Please provide a sample of a Postage Statement form, such as 3602-R1 (Standard Commercial Mail), that would calculate the discount for each eligible mail subpart, e.g., line A23 for Part A Automation Letters or F27 for Part F Carrier Route Flats, but excludes Standard Mail Flats, Parts D and E, from the promotion.
- i. Please explain what system changes the Postal Service will have to make to use these Postage Statement forms.
 - ii. Given that PS Form 3602-R1 is used for all shapes of Standard Mail, please discuss the mechanism for calculating the total amount of the discount if the mailing contains mailpieces eligible for the program, such as Standard Mail Letters, and mailpieces ineligible for the program, such as Standard Mail Parcels, using this form.
 - iii. Please estimate the cost to the Postal Service of implementing the changes to use these Postage Statement forms.
 - iv. Please explain what system changes the mailing industry will have to make to use these Postage Statement forms.
 - v. Please estimate the cost to a representative mailer of implementing the changes to use these Postage Statement forms.

RESPONSE:

- a) Attached is a redline version of the proposed changes to PS-Form 3602-R1 to support the Mobile Barcode Promotion. The Postal Service does not anticipate making any changes to the subparts. A final version of PS-Form 3602-R1 is not available at this time.
- i. In order to implement the program, system changes will be made to the following:
 - the hard copy postage statement facsimile on usps.com.
 - PostalOne and Postal Wizard screen entries of the postage statement, and
 - Mail.dat and mail.xml changes to the postage statement entry.

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ii. Current Mobile Barcode Promotion program requirements specify that all of the mailpieces contained in the postage statement must be eligible for the discount. If a mailer were to submit a postage statement that included ineligible pieces, the entire mailing would be ineligible for the discount.

iii. In order to meet the sale timeframe, costs have already been incurred to make these changes. The various changes to the postage statements have been done in conjunction with other system changes and it is difficult for the Postal Service to break out the costs for the postage statement changes related to the Mobile Barcode Promotion and even more difficult to separate these costs by form. Total costs incurred to date are estimated to be approximately \$140,000.00. The Postal Service expects to incur more costs to fully implement the program, but the majority of the costs to change the postage statements have already been incurred.

iv. Third party vendors who provide products and services that support electronic mailing documentation will need to make similar updates to the changes described above that will be made by the Postal Service. Mailers that wish to participate in the program will have to adopt the June 2011 postage statement changes.

v. The Postal Service does not have knowledge of the internal costs of its third party vendor or its individual mailers, nor does it know how implementation costs might be shifted from third party vendors to individual mailers. The costs incurred in adopting the June 2011 postage statements should be no more or less than the costs incurred in any other postage statement updates.

b) In order to implement the Mobile Barcode Program within the set timeframe, the program was modified and the three percent discount will be taken off the total postage rather than the price per piece. As such, changes were not made to the sub-parts of the postage statement. This change has been addressed in subsequent program communications.

c) In order to implement the Mobile Barcode Program within the set timeframe, the program was modified and the three percent discount will be taken off the total postage rather than the price per piece. As such, changes were not made to the sub-parts of the postage statement. This change has been addressed in subsequent program communications.

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4. Please confirm that card-shaped mailpieces are not eligible for the promotion. If not confirmed, please explain.

RESPONSE:

Card-shaped mailpieces are eligible for the promotion subject to the other promotion requirements.