

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

ANNUAL COMPLIANCE REPORT, 2011

DOCKET No. ACR2011

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 7, 28(e), 28(g), AND 38 OF
CHAIRMAN'S INFORMATION REQUEST NO. 1
(February 8, 2012)

The United States Postal Service hereby provides its responses to the above-listed questions from Chairman's Information Request No. 1, issued on January 19, 2012. Responses were due on January 27, 2012. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Question 7

In the FY 2010 Annual Compliance Determination at page 94, the Commission stated "on the cost side, the Postal Service can continue to pursue the Flats Strategy that it outlines in its Exigency Request. This includes ending the Hot2C program."

- a. Describe the operational changes designed to reduce flat costs in FY 2011 and estimate the financial effects of such changes.
- b. In response to USPS OIG Report CR-AR-11-001, the Postal Service stated that the target date for ending the Hot2C program was April 2011 (page 19). Please provide an analysis of the reduction of Periodicals manual handling costs that resulted from the elimination of this program.

RESPONSE:

- a. On July 1, 2011 the Postal Service established policy and standard operating procedures for the processing of Periodicals. A fundamental component of the policy was to introduce national standardized critical entry times (CETs). Standardized processes align mail flows and minimize manual handling. Additionally, the policy is expected to improve performance due to consistent management of the acceptance, transportation, processing and delivery of Periodicals.

From an operating perspective, the procedures require Periodicals that necessitate bundle or piece distribution to be processed, to the maximum extent possible, on automation or mechanized equipment, unless the mailpieces are non-automation compatible. The operational changes further require that all Periodicals be placarded upon arrival with signage that identifies the date and time the mail arrived, and the operational clearance or delivery day.

Furthermore the policy eliminates Hot2C practices; therefore, Periodicals

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will be processed based upon arrival times and service standards, and not publication titles. Periodicals (daily, weekly and monthly) have the same processing expectations, standardized CETs and service standards. Processing prioritization is based on Periodicals arriving before the CET, the operating window and machine capacity. Periodicals arriving after a CET are advanced only if the mailing can be processed in the most efficient manner for the facility where it is entered (e.g. manual processing will be the most efficient manner at a location without automation) or based on the mail characteristics.

Collectively, these efforts are designed to improve efficiencies and reduce flats costs.

- b. The Postal Service's cost models are not designed to isolate reductions in Periodicals' manual handling costs, particularly given the fact that mail volumes, mail processing operations, mail classifications, and equipment sets change from year to year. While manual handling costs are captured in IOCS tallies and in the flats costs models (to the extent that the data is available in inputs that the models rely upon), the costs cannot be separated out.

Furthermore, Hot2C lists were developed at local facilities and were based on local managers' experiences with their customers' service expectations. At the national level, it has not been possible to evaluate the costs incurred due to the exceptional actions taken by local managers to improve service. Accordingly, it is not possible to quantify cost reductions resulting from the elimination of these local practices.

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Question 28

Please provide Excel Spreadsheets including the Office Name, Location (State) and 5-digit ZIP Code for the following.

- e. Offices Projected to be closed in January 2012, including the projected date of closure, but for the recently announced moratorium on closures.
- g. Offices still under consideration for closure which were part of the SBOC Initiative in Docket No. N2009-1.

RESPONSE:

- e. The Postal Service notes that the information described is not within the scope of the information or determinations required pursuant to 39 U.S.C. §§ 3652 and 3653. Nevertheless, in light of current circumstances, including the moratorium and other related developments, the Postal Service is not at this time able to identify Post Offices that fall within the hypothetical category described in this subpart.
- g. Please see ChIR1.28g.xls, which is attached to this response.

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Question 38

In its response to Docket No. ACR2010, CHIR No. 1, question 29, the Postal Service submitted the RPW Extract File. See Library Reference USPS-FY10-NP30, Excel file "ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls." This file includes the non-public version of the RPW report, and consists of the following three worksheet tabs containing comprehensive mail category revenue, pieces, and weight data for FY 2010 "Summary Category RPW Data," "Rate Category RPW Data," and "RPW Report." Please provide an Excel file featuring the aforementioned worksheet tabs that contain the same comprehensive mail category data from the RPW updated for FY 2011.

RESPONSE:

Please see ChIR1.38.xls, which is attached to this response.