

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

ANNUAL COMPLIANCE REVIEW, 2012

Docket No. ACR2012

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
16, 18, 22, AND 27 OF CHAIRMAN'S INFORMATION REQUEST NO. 5

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 5, issued on January 28, 2013. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Question 16

The Postal Service continues to utilize the Facility Access and Shipment Tracking (FAST) system for bulk mail entry. Please provide the following information for FY 2012:

- a. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets;
- b. Total number of Mixed-Class Pallets;
- c. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST;
- d. Total number of Mixed-Class Pallets entered using FAST;
- e. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST before the CET for the appointment time;
- f. Total number of Mixed-Class Pallets entered using FAST before the CET for the appointment time;
- g. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST after the CET for the appointment time; and
- h. Total number of Mixed-Class Pallets entered using FAST after the CET for the appointment time.

RESPONSE:

- a. 2,245,158 Periodicals pallets and 3,779,112 Standard Mail Flats and Standard Mail Carrier Route pallets. Standard Mail Flats and Standard Mail Carrier Route Pallets are reported together as these two sub-classes are typically co-palletized. Source: USPS-FY12-14, MAILCHARV12.xls.
- b. The Postal Service does not have a data system to track the number of Mixed-Class Pallets. The pallet estimates for part (a) were obtained through the estimation procedure document in USPS-FY-14, which relies on eVS Mail.dat files and postage

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statement information to estimate national preparation characteristics; this estimation procedure does not separately identify Mixed-Class containers.¹

c-h. FAST does not retain data beyond 90 days.

¹ In theory, the methodology used in USPS-FY12-14 could be modified to generate estimates of Mixed-Class Containers, but this exercise would be extremely burdensome. In the production of USPS-FY12-14 estimates, data of over 1.5 terabytes from 300,000 Mail.dat files are processed each quarter. The base processing of all of these files takes nearly five days of continuous computer processing each quarter. Further, the existing methodology relies heavily on class specific billing determinants for weighting factors. The methodological changes needed to provide separate estimates of Mixed-Class Pallets have not yet been studied by the Postal Service.

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Question 18

In response to CHIR 1 question 1, the Postal Service states that “Within calendar year 2012, the volume of mail processed on FSS increased 6 percent, processing on AFSM100 decreased 2 percent, and manual processing decreased 4 percent.” Please provide the workpapers used to develop these figures. Please provide the corollary workpapers for FY 2012.

RESPONSE:

See CHIR5.Q18.xls, attached to this response. The statement quoted in the question was based on an incorrect calculation. A corrected calculation is contained in the attachment.

As shown therein, the percentage of flats processed to FSS DPS sortation increased from 38.0 percent in calendar year 2011 to 57.7 percent in calendar year 2012 – an increase of 19.7 percentage points. The percentage of flats processed to the carrier route level on the AFSM 100 decreased from 17.1 percent in calendar year 2011 to 15.1 percent in calendar year 2012 – a decrease of 2.0 percentage points. The percentage of manual flats, which is calculated by subtracting the FSS and the AFSM 100 percentages from 100 percent, decreased by 17.7 percentage points, from 44.9 percent in calendar year 2011 to 27.2 percent in calendar year 2012.

The source of this data is: Enterprise Data Warehouse (EDW) Data Mart, Carrier Piece Count (CPC).

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Question 22

The Service Performance Diagnostics Tool (SPD) was released in January 2012. Please provide the following information for Full Service IMb Periodicals, Standard Mail Flats, and Standard Mail Carrier Route:

- a. Total IMb pieces, bundles, and pallets;
- b. Total volume processed in an AFSM Incoming Secondary Sort;
- c. Total volume processed on the FSS; and
- d. Total number of bundles processed on the APPS, APBS, SPBS, and LIPS.

RESPONSE:

See ChIR5.Q22.xls, attached to this response.

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Question 27

The Postal Service identifies the 39 U.S.C. § 3622(e)(2)(B) exception as a justification for the passthroughs in excess of 100 percent of avoided costs for BPM Flats DNDC dropship and BPM Parcels DNDC dropship. Please provide a qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support the use of this exception for these discounts.

RESPONSE:

Please see the Postal Service's response to Question 4 of Chairman's Information Request No. 3 for a brief explanation of the Postal Service's position on treating compliance with section 3622(e) as a fluid matter. In Docket No. R2013-1, the Postal Service lowered the BPM Flats DNDC and BPM Parcels DNDC dropship discounts to equal the then latest available cost avoidances. It is not clear what more could be expected from a compliance perspective.

In any case, had the Postal Service known the new cost avoidance of 14.1 cents when the Docket No. R2013-1 price adjustment was filed, an immediate reduction in the discounts from 17.4 cents to 14.1 cents would have been too drastic, and in the Postal Service's business judgment would have constituted rate shock, particularly given the fact that in FY 2010 the discounts were 22.0 cents and 21.8 cents. This would have constituted a reduction in the discounts of over 35 percent in the space of two years.