

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

ANNUAL COMPLIANCE REVIEW, 2013

Docket No. ACR2013

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-20 OF CHAIRMAN'S INFORMATION REQUEST NO. 4

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 4, issued on January 27, 2014. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

1. The following question refers to USPS-FY13-NP26. Please explain the derivation of window transaction costs and advertising expenses for Greeting Cards and Shipping and Mailing Supplies. Please provide electronic spreadsheets showing the calculations and the sources for input data.

**RESPONSE:**

The advertising expenses for both products come from the breakout of Advertising expenditures provided by the Advertising function. The window transaction costs are a bottom up cost method that mirrors the top down approach used for larger products in the CRA. They are based on window clerk labor time, or a proxy for that time (which in this instance is the same for both Retail products), with additional window costs such as waiting time, break time, and piggyback costs associated with providing the product at the Post Office window added.

Submitted under seal in USPS-FY13-NP34 is a spreadsheet showing the breakout of costs for Greeting Cards and Shipping and Mailing Supplies, with a second tab that provides formulas to show how the Window transaction costs for these products were computed, including the source for the data and factors shown.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

2. Please identify each product and the corresponding revenues and costs included in the competitive "Other Ancillary Services." Library reference USPS-FY13-NP1.

**RESPONSE:**

There does not appear to be a category labeled as "Other Ancillary Services" in USPS-FY13-**NP1** (the Competitive product Billing Determinants). There is such a category, however, in USPS-FY13-**NP11** (Nonpublic CRA), which includes Adult Signature and Package Intercept. In response to this request, the revenue and costs for those two products are submitted under seal in the Preface to USPS-FY13-NP34.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

3. The revenue for Customized Postage declined from \$900,000 in FY 2012 to \$300,000 in FY 2013. See 2012 ACD at 136 and 2013 ACR at 37. Please explain the reason for the decline in revenue.

**RESPONSE:**

In FY 2012 we had three customers for Customized Postage, each paying the \$300,000 annual fee. But in FY 2013 there was only one customer for Customized Postage, resulting in the reduced revenue.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

4. Please reconcile the total FY 2013 revenues reported for Stamped Envelopes and Cards, of \$12.9 million as shown in the USPS FY 2013 Annual Compliance Determination at 37 with \$12.3 million reported in library reference USPS-FY13-42.

**RESPONSE:**

The \$12.9 million figure is based on the billing determinants in USPS-FY13-4, while the \$12.3 million figure is from the RPW report presented in USPS-FY13-42. Both sources are in agreement on the Stamped Card Revenue. However, USPS-FY13-42 (RPW) does not include the \$2,365,396 in Stamped Envelope revenue from Premium Features and Shipping Fees. On the other hand, the RPW includes a higher value for the Stamped Envelopes themselves, because it uses the best data that are available for quarterly reporting, but which can lack accuracy over time. The Billing Determinants rely on order level data for Personalized Stamped Envelopes, which include the Premium Features and shipping fees for those envelopes, and use an annual source for Plain Stamped Envelopes.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

5. Library reference USPS-FY13-42 shows that the FY 2013 revenue for USPS Tracking, previously known as Delivery Confirmation, was \$106.239 million versus the FY 2012 revenue of \$244.963 million, while volumes for FY 2013 were approximately 2.3 percent higher than in FY 2012. Please explain the reasons for the revenue decline of 56.7 percent.

**RESPONSE:**

Over the past few years the Postal Service has been making USPS Tracking a characteristic of certain Shipping products. As a result, more of the mail pieces that are included in the USPS Tracking volume pay the zero fee. Therefore, total revenue is declining.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

6. Library reference USPS-FY13-28 includes a file detailing the cost estimates for USPS Tracking, previously known as Delivery Confirmation. The file "USPS TrackingPub-FY2013.xlsm" at tab "w-4b" shows the acceptance unit costs for both Package Service Manual and First-Class Mail Parcels are \$0.3417. The equivalent unit acceptance cost for Delivery Confirmation in FY 2012, found in USPS-FY12-28 of file "DelConPub-FY 2012.xls," is reported as \$1.3367 for the same products. Please explain the reasons for the significant (74.3 percent) decline in acceptance costs.

**RESPONSE:**

The total window acceptance cost for USPS Tracking declined in FY2013 because the service was included for retail First-Class Package Service and Standard Post pieces, effective with the January 27, 2013 rate changes. From January 27, 2013 forward, acceptance costs related to providing USPS Tracking for First-Class Package Service and Standard Post pieces are treated as costs of the parent products. Thus, the FY2013 USPS Tracking acceptance cost is limited to pieces with fees for the USPS Tracking service (First-Class Mail Parcels and Package Services pieces). See also Docket No. RM2014-1, Proposal Nine.

Additionally, the unit cost declined in part because the volume used to calculate the acceptance unit cost for USPS Tracking includes both fee and no-fee retail USPS Tracking pieces after the January 27, 2013 rate change. The cost, as noted above, includes only the cost of the fee portion. Reliable volume data for the transitional quarter (Quarter 2, FY2013) for only the fee portion of USPS Tracking service do not appear to be available.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

7. A Strategic End-to-End Guide for Flats Planning, October 2013, makes the following statement:

[T]he Postal Service **continues modifying** the AFSM 100 machines to increase operational efficiency and reduce maintenance downtime. [P. 20) emphasis added].]

Please discuss all modifications made to the AFSM 100 machines during FY 2013, and explain the extent to which those modifications increased productivity (e.g., throughput) of the AFSM 100 machines.

**RESPONSE:**

Below is a list of Automated Flats Sorting Machine (AFSM) 100 modifications aimed at improving mail processing productivity. These modifications focus on two areas: software updates and hardware modifications. Depending on the modification, the AFSM 100 improvement might involve improved mail processing performance (i.e. throughput or accept rate) or reducing maintenance activities associated with machine downtime.

**AFSM 100 Improvements (FY 2012)**

Software Updates:

- *AFSM 100 Version 15.3.1 Software Release (Release Date: September 23, 2011):*
  - This software release was designed to reduce the number of “recycle rejects” by assigning such activity when unavailable buckets reaches 95 percent.



RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

- *AFSM 100 Flats Identification Code Sort (FICS) Site Server Software Release v4.1.0 (Release Date: August 30, 2012):*
  - This software release added an induction timestamp column to the ICS\_TRACKMATCH and ICS\_RESULT tables for better monitoring and analytical capabilities. In addition, this update saves ID Tags on rejected mail pieces and modifies the FICS database to store multiple tracking entries for the same ID Tag for better monitoring and trouble shooting of rejected mail pieces.

Hardware Updates:

- *AFSM 100 Sort Module Window Installation (Release Date: January 9, 2012):*
  - The purpose of this modification was to replace all sort module lower label holders with sort module chute windows. The sort module window allows observation of the chute photocell. When the chute photocell is blocked when no mailpiece is supposed to be present, a False Direction Sort (FDS) instance is generated. Defective, dirty, or misaligned photocells and reflectors can cause FDS instances when no mailpiece has been missorted. The sort module window allows for improved maintenance of the photocell and reflector.
- *AFSM 100 Automatic Induction Bundle Distribution Conveyor Retrofit (Release Date: May 17, 2012):*
  - The purpose of this modification was to replace the rollers on Flexible Turn Units (FTU) 5 and 6 located on the elevated buffer loop of the AFSM-

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

AI system. The replacement rollers are a urethane coated roller and provide a more positive stop for Automation Compatible Trays (ACTs) as they enter and exit the FTU. This modification was intended to reduce the number of FTU jams at these locations. This modification also included the instructions for the retrofit of the AI Bundle Distribution Conveyor (BDC). This retrofit was designed to increase the life of the BDC belt and reduce maintenance time on the BDC.

- *AFSM 100 Carousel Motor Disconnect (Release Date: June 08, 2012):*
  - The purpose of this modification was to allow Maintenance personnel to safely lockout the Automated Flats Sorting Machine 100 (AFSM100) Carousel without shutting down and locking out the entire AFSM100. This modification was designed to greatly reduce the amount of time required to perform many maintenance tasks by eliminating the startup and shutdown of all AFSM computer systems.

**AFSM 100 Improvements (FY 2013)**

Software Updates:

- *AFSM100 Flats ID Code Sort and Co-Bar Code Reader Software Version 4.4.1 (Release Date: March 28, 2013):*
  - This software release supports the reading of multiple Intelligent Mail Barcodes on a single mailpiece.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

- *AFSM 100 Version 15.4.1 Software Release (Release Date: May 1, 2013):*
  - This software release enables visible “Low Read Rate” alerts on feeder consoles and provides for the filtering of erroneous photo eye “Low Gain” warnings.

Hardware Updates:

- *AFSM 100 Infeed Clutch Brake Fuse Installation (Release Date: January 4, 2013):*
  - The purpose of this modification was to replacement the terminal block with one that accepts a fuse for the AFSM 100 infeed station. This change provided over current protection to the infeed clutch/brake and solenoid monitor circuits.
- *AFSM 100 Flats Address Reader Computer (FARC) Frame Grabber Driver Upgrade (Release Date: June 14, 2013):*
  - The purpose of this modification was to upgrade the Dalsa Frame Grabber Driver to version 1.11.177 in the AFSM 100's Flats Address Reader Computer (FARC). This this modification supports new hardware on new and repaired Dalsa Frame Grabber cards.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

8. Does the Postal Service have separate cost records or estimates for the end-to-end cost of (a) flats processed on AFSM 100 machines and then cased manually by carriers *versus*; (b) flats that are DPS'd on FSS machines?
- a. If so, please provide the comparable unit costs for each method of distribution.
  - b. If comparable and separate unit cost data are not available for each method of distribution, please explain whether, in the Postal Service's opinion, distribution of flats on the FSS (a) has a lower unit cost, (b) has approximately the same unit cost, or (c) has a higher unit cost vis-a-vis distribution on the AFSM 100 and manual casing by carriers?

**RESPONSE:**

- a. The Postal Service does not have separate end-to-end cost estimates for pieces processed on the AFSM 100 machines and then cased manually by carriers; versus flats that are DPS'd on the FSS machines.
- b. Between FY2010 and FY2013, FSS processing has been substituted for AFSM 100 processing/manual casing for First-Class Mail Flats, Periodicals, and Standard Mail Flats. Based on available information it appears that in FY2013, this substitution either lowered costs or left them unchanged as compared with FY2010 costs. This is determined in a simplistic fashion just considering two factors: changes in mail processing unit costs and in city carrier in-office unit costs. Both of these costs include indirect costs and are adjusted to remove the effects of the changes in productive hourly rates (a 2.7 percent decrease for mail processing cost per work hour and a 4.0 percentage increase in city carrier cost per work hour from FY2010 to FY2013). It should be noted that other factors aside from FSS influence these unit cost changes. The table below shows the change in unit costs, holding wages constant, for

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

processing, city carrier in-office and the combination of processing and city-carrier in-office.

<b>Changes in Processing and City Carrier In-Office Unit Costs For Flats from FY2010 to FY2013 (Cents per Piece)</b>			
Product	Mail Processing	In-Office City Carrier	Processing and In-Office City Carrier Combined
First-Class Flats	(0.15)	(0.36)	(0.51)
Periodicals	0.59	(1.19)	(0.60)
Standard Mail Flats	1.50	(1.57)	(0.07)

**Source:** ChIR.4.Q.8.Table.xls, attached electronically to this response.

Apart from the simplistic nature of these results, there are two important factors to take into account in considering these results. First, FSS is a long-term initiative and FY2013 is only the second full year FSS operation. Long-term initiatives often mean additional costs (capital and additional operating costs) have been incurred while the associated savings take longer to realize. Second, the Postal Service is working to improve the FSS processing environment. In cooperation with its customers the Postal Service is working to better align mail preparation with the FSS operating environment. In addition, the Postal Service continues to adjust and refine FSS schemes and adjust routes to take full advantage of the capabilities of the FSS.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

9. Please confirm that all 100 FSS machines were deployed and operational throughout both FY 2012 and FY 2013. If not confirmed, please explain.

**RESPONSE:**

Confirmed. However, it is important to note that one of the FSS machines is used by engineering for software and hardware evaluations. Accordingly, only 99 FSS machines are used for mail. In addition, during FY 2013 two machines were relocated and out of service for 12 weeks each.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

10. To what extent did productivity of the fleet of FSS machines change, e.g., improve, during the course of FY 2013?

**RESPONSE:**

The measured productivity in FSS operations in FY 2012 was 816 pieces per hour. In FY 2013 the FSS productivity was 798 pieces per hour. The small FSS productivity decline is the net result of a modest increase in distribution productivity being offset by lower prep productivity.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

11. With respect to evaluating whether to invest in new peripheral hardware for the fleet of FSS machines e.g., high speed flats feeders, alternative small footprint flats sequencing systems, and bundle unloading devices.

- a. What is the minimum return on investment ("ROI") percentage required by the Postal Service for making such capital investments?
- b. What future time periods, *i.e.*, over how many years, does the Postal Service use when computing estimated ROI on such capital investments?

**RESPONSE:**

- a. There is no specific required ROI percentage for making the investments described. All capital investments are prioritized based on the following criteria:

The capital freeze exception process that was initiated on April 30, 2009, is still in effect. However, the current financial situation mandates that the only exceptions to the capital freeze be those projects that are: 1) needed for safety and/or health or legal requirements; 2) required to provide service; and, 3) those projects that have a high return on investment and a positive net cash flow within a very short period.

- b. The time period for computing the ROI on capital investments is based on the expected service life of the equipment. In the case of FSS, since it is automated processing equipment, the service life is ten years. The cash flow period would be ten full operating years after full deployment.



RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

12. In FY 2012 and FY 2013, the CRA indicates that the unit cost of Standard Flats was, respectively, \$0.465 and \$0.452. The unit cost for Standard Flats thus declined by \$0.013.

- a. Of this decline in unit cost of Standard Flats, please explain approximately what portion can be attributed to the new labor contract that permits the hiring of a certain percentage of new employees at a lower wage rate, and what portion can be attributed to greater productivity when handling Standard Flats.
- b. To the extent that your response to preceding part a. indicates a lower unit cost of Standard Flats resulting from higher productivity, please explain what the Postal Service perceives to be the major sources of such improved productivity, e.g., enhancement to the AFSM 100s, the FSS itself, and peripheral improvements to the FSS.

**RESPONSE:**

- a. The below table shows unit cost changes for attributable labor costs for Standard Mail Flats by cost segment. When compared to the changes in productive hourly rates the following observations were made. First, in the case of Supervisor and Technician unit costs there was a 1.8 percent decline, which is a greater rate of decline than the 0.8 percent decline in productive hourly rates. This suggests that while nearly half of the 1.8 percent decline is likely due to the decline in productive hourly rates, the rest of the decline is likely due to productivity gains. The labor unit cost that saw declines greater than those for productive hourly rates were: window service, city carriers, vehicle service drivers, rural carriers, processing equipment maintenance (cost segment 11.2), and building maintenance (cost segment 11.3).

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

<b>Unit Attributable Labor Costs for FY2012 vs. FY2013 Verses Changes in Productive Hourly Rates</b>					
	Unit Costs in Cents			Percentage Difference	Percentage Change in Productive Hourly Rates
	FY2012	FY2013	Difference		
C/S 1 Postmasters	0.23	0.21	(0.02)	-8.7%	
C/S 2 Supervisors and Technicians	2.32	2.28	(0.04)	-1.8%	-0.8%
C/S 3.1 Mail Processing	15.34	15.18	(0.16)	-1.0%	-3.2%
C/S 3.2 Window Services	0.11	0.07	(0.04)	-33.4%	-3.2%
C/S 3.3 Administrative Support & Miscellaneous	0.60	0.64	0.04	7.3%	-3.2%
C/S 4 Clerks – CAG K Offices	0.00	0.00	(0.00)	-35.4%	-3.2%
C/S 6 and 7 City Delivery Carriers	9.92	9.51	(0.41)	-4.1%	-1.7%
C/S 8 Vehicle Service Drivers	0.40	0.37	(0.03)	-7.2%	-3.5%
C/S 10 Rural Carriers	2.30	2.28	(0.02)	-1.0%	1.3%
C/S 11.1.1 Custodial Personnel	0.79	0.82	0.03	3.9%	-3.1%
C/S 11.2 Operating Equipment Maintenance	1.81	1.64	(0.17)	-9.5%	1.7%
C/S 11.3 Plant & Building Equipment Maintenance	0.34	0.33	(0.01)	-1.6%	1.7%
C/S 12.1 Motor Vehicle Service Personnel	0.09	0.09	(0.00)	-0.2%	-0.5%
C/S 18.1.4 Postal Inspection Service	0.04	0.04	0.00	5.3%	
Total Labor	34.28	33.46	(0.82)	-2.4%	
Total Attributable Costs	46.50	45.16	(1.34)	-2.9%	

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

b. Delivery (cost segments 6, 7 and 10) and operating equipment maintenance (cost segment 11.2) saw the largest unit cost declines associated with productivity gains.

With respect to city carrier costs, this reduction is likely due to several ongoing programs: continued maturation of the FSS processes, voluntary conversion of businesses to centralized delivery, and ongoing route reduction programs. With respect to rural costs, most savings can be attributed to the rural route inspection which took advantage of FSS, volume reduction, and the placing of postal owned vehicles on rural routes. Savings in equipment and building maintenance is due to both facility consolidation and a maintenance staffing initiative. This initiative involved an HQ review of the staffing policies of the seven Areas. HQ Maintenance Operations conducted a review of staffing data that identified locations with mean and/ or average staffing levels that were not in compliance with HQ staffing standards. Those outliers received further review, and if not justified, staffing reductions were made.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

13. The Commission's FY 2012 ACD states, "Given the serious implications of the pricing of Standard Mail Flats, the Commission recommends that the Postal Service derive elasticity estimates to provide for a more realistic assessment of the impact of price changes on contribution."

Please explain what the Postal Service has done in response to this recommendation.

**RESPONSE:**

As new volume data become available each quarter, the Postal Service re-estimates both aggregate and disaggregated shape-based (letters and non-letters) Standard Mail equations with the additional data. To date, the disaggregated shaped-based equations have still not yielded results which would suggest that substituting the disaggregated elasticity estimates for the aggregate estimates would generate better forecasts or otherwise improve the assessment of the impact of price changes on contribution.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

14. In the FY 2013 ACR, the Postal Service states with respect to the Valassis NSA, "Valassis did not send enough NSA-eligible volume to qualify for volume discounts, and paid published rates during FY 2013. Therefore, there are no further data to report." There was also no periodic reporting as required by Order No. 1448 at 41. The Valassis NSA requires Valassis to pay a penalty of \$100,000 if Valassis does not mail 1,000,000 contract pieces during the first year of the agreement.

- a. Did Valassis reach the 1,000,000 contract pieces threshold?
- b. Did the Postal Service waive the \$100,000 penalty? Please explain.

**RESPONSE:**

- a. No. Valassis did not mail any pieces eligible for contract prices in FY 2013.
- b. No. While the Postal Service has not yet collected this payment, it is currently discussing the payment with Valassis.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

15. The following table details the calculation of the net value for contract year 2 of the MC2011-19 Discover NSA using the Commission's approved methodology for Market Dominant NSAs. The table also contains the Postal Service's estimate of net value provided in library reference LR-USPS-FY13-30. In addition, the table contains the elasticities implied by the Postal Service's estimate of net value.

<b>Discover NSA (Contract Period: April '12 - March '13)</b>		
<b>ACR FY2013</b>		
<b>MC2004-3 Analysis</b>		
<u>First Class Letters</u>		
Eligible Volume:		211,328,823
Revenue per Piece:	\$	0.37
Cost per Piece:	\$	0.13
Marginal Discount:	\$	0.02
First Class Mail Regular Elasticity:		(0.339)
<u>Standard Mail Letters</u>		
Eligible Volume:		882,806,472
Revenue per Piece:	\$	0.21
Cost per Piece:	\$	0.11
Marginal Discount:	\$	0.01
Standard Mail Regular Elasticity:		(0.457)
<b>Total Net Value to USPS:</b>	\$	(7,205,648)
Discounts Paid to Discover	\$	9,228,149
<b>Postal Service Estimate of Net Value</b>		
First Class	\$	4,485,569.44
Standard Low Estimate	\$	13,553,159.64
Standard High Estimate	\$	9,234,412.55
<b>Elasticity Implied by Postal Service Estimate</b>		
First Class		(3.59)
Standard Low Estimate		(8.27)
Standard High Estimate		(6.20)

- a. Please confirm the net value to the Postal Service was -\$7,205,648 in contract year 2 using the Commission's approved methodology. If not confirmed, please explain.
- b. Please confirm that the First-Class Mail elasticity implied by the Postal Service's estimate of net value is -3.59. If not confirmed, please explain.
- c. Please confirm that the Standard Mail elasticity implied by the Postal Service's Standard Mail Low estimate of net value is -8.27. If not confirmed, please explain.
- d. Please confirm that the Standard Mail elasticity implied by the Postal Service's Standard Mail high estimate of net value is -6.20. If not confirmed, please explain.
- e. Please discuss the differences in methodology between the Commission's approved method and the Postal Service method.
- f. Please provide any documentation the Postal Service has developed that details whether Discover is price elastic or price inelastic.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

**RESPONSE:**

The values in the table developed for purposes of this question were dependent upon the values initially provided in USPS-FY13-30. Since the Discover NSA file in that folder was revised on February 6, 2014, the values stated in the question are no longer applicable. Therefore, the responses to this question use the corrected values as presented in the new tab (MC2004-3 Analysis) added to the revised version of USPS-FY13-30 filed on February 6, 2014.

- a. Not confirmed. The updated net value using the MC2004-3 methodology is -\$6,861,160.
- b. Not confirmed. The updated value, using eligible volume, is -3.33.
- c. Not confirmed. The updated value, using eligible volume, is -7.41.
- d. Not confirmed. The updated value, using eligible volume, is -5.03.
- e. The Commission's approved methodology applies a mail class elasticity, which is representative of all mailers, to that of one single mailer, Discover. The Postal Service's methodology differs from the Commission's methodology because it examines the specific trends and characteristics of the customer that is subject to the NSA, which in this case is Discover, and forecasts the volumes based on historic trends as well as prevailing market conditions. This results in a baseline threshold volume that differs from that computed using the Commission's methodology.
- f. The Postal Service has no additional documentation to provide.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

16. The following question involves LR-USPS-FY13-30 file  
"ACR\_NSA\_FY13\_report\_2013.12.19.xls" tab "MC2011-19 Discover NSA."
- a. Please provide the formulas and source data for the following cells: R37, R71, J8, J9, J10, J11, 16, J17, J21, J43, J44, J45, J46, J51, J52, J53, J58, J59, J60, J69, J70, J71.
  - b. Please provide the First Class Mail Full Service IMb Volume in cells S12 to X12.
  - c. Please provide the Standard Mail Full Service IMb Volume in cells S47 to X47.
  - d. Please provide the Standard Mail Mobile Barcode Discount Volume in cells S48 to X48.
  - e. Please provide a rationale for excluding Full Service IMb revenue from the average revenue per piece for First Class Mail in cell K19 and Standard Mail in cell K53.

**RESPONSE:**

Please note that the file in question in USPS-FY13-30 was revised on February 6, 2014.

The requested information appears in the revised file, and in the accompanying new file (also provided in the revised USPS-FY13-30) which details the calculations of the Year 2 Allocated Rebates.. Additionally, in the revised file, the Full Service IMb revenue is no longer excluded, so part e. of the question is no longer applicable.



RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

17. Please provide a revised version of the CPMS dataset provided in library reference USPS-FY13-43 which contains the data field 'Location ID' that existed in prior years' CPMS datasets.

**RESPONSE:**

The data that appeared previously in the "Location ID" data field appears in the "ZIP3," "ZONE," and "BoxNbr" data fields in the version of the CPMS dataset provided in USPS Library Reference USPS-FY13-43. For a specific location, the combination of the values in the "ZIP3," "ZONE," and "BoxNbr" data fields equals the value in the "Location ID" data field from previous versions of the CPMS dataset.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

18. The Postal Service's Annual Report to Congress, at page 19, states that transitioning 7,985 offices to 2-hour, 4-hour, and 6-hour periods of operations has saved \$171 million in annual costs. Does this figure include the initial costs of those offices projected to be upgraded to Level-18?

**RESPONSE:**

No, this does not include any costs associated with upgrading offices to Level 18.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

19. Given the Postal Service's experience in implementing POStPlan to date, does the Postal Service believe it is still on track to achieve the cost savings projected in Docket N2012-2?

**RESPONSE:**

Yes, we are currently on track to meet this projection. This could change depending on the implementation timeline.

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 4

20. Under existing labor contracts for clerks and mail handlers, city carriers, and Rural carriers:

- a. When and by how much will the basic average wage rate (other than COLA) increase during the life of current contracts?
- b. Please explain whether full COLA increases are applied to average wage rates. If not, please explain.

**RESPONSE:**

- a. The amounts and effective dates of pay increases under the current labor contracts are specified in Article 9 of each of the contracts. Copies of the labor contracts were recently provided in the Exigent case in the Supporting Files portion of USPS-R2010-4R/8, available on the September 26, 2013 Daily Listings on the Commission webpage.
- b. The wages of most covered employees are increased by full COLA amounts for each step in the various pay schedules on the dates specified by the current labor contracts. Exceptions are newly hired NPMHU and NALC career employees who receive a prorated COLA payment based on the wage rate for each level and step in new salary schedules. Please refer to Article 9 of each labor contract for details on the calculation and applicability of COLAs. The contracts were included as part of USPS-R2010-4R/8 in the recent Exigent case..