

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 3.c AND 6 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 February 3, 2014. Each question is stated verbatim and followed by the response. Responses to other questions were provided on February 11, 2014.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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3. Inbound Air Parcel Post (at non-UPU rates) consists of financial results for Royal Mail and collectively for several European postal operators that have executed bilateral agreements pursuant to Annex B2 of the EPG agreement, which predates the PAEA. For FY 2013, the Booked version of the ICRA reports a loss for Inbound Air Parcel Post (at non-UPU rates) caused solely by the financial results of inbound air parcels from EPG postal operators. However, the FY 2013 loss is substantially less than the FY 2012 loss.

During FY 2013, the Postal Service implemented a "performance action plan" making operational improvements affecting EPG parcels to decrease penalty payments and increase revenue. See Response No. 4, Postal Service Responses to ACD Request, Docket No. ACR2012, June 26, 2013.

- (a) Please describe the features of the performance action plan, identify the operational improvements implemented, and explain how the improvements decreased penalty payments and increased revenues during FY 2013.
- (b) Please describe the conditions during FY 2013 that caused the Postal Service to make penalty payments, and explain whether penalty payments arose from the bilateral agreements executed pursuant to Annex B2 of the EPG agreement, or obligations arising from other bilateral or multilateral agreements.
- (c) Please provide any fiscal year, calendar year, and quarterly reports that measure the service performance of inbound air parcels from EPG postal operators with respect to penalty payments and any other service performance metrics. If there are no such reports, please provide the total penalty payments and the number of delivery or other events that caused a penalty payment during FY 2013 and FY 2012.

RESPONSE:

(a)-(b) Previously provided.

(c) Please see the material provided under seal in USPS-FY13-NP36.

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6. The following questions concern revenues and transaction volumes for the IMTS—Inbound product. In the FY 2012 Annual Compliance Determination (ACD), the Commission directed the Postal Service to report on the feasibility of using revenues received from foreign postal operators as a basis for estimating IMTS—Inbound transaction volumes. FY 2012 ACD at 166. The Commission requested that the Postal Service address this option as a possible alternative to using the Point of Sale (POS) retail terminal system for estimating IMTS—Inbound transaction volumes. In this regard, the Postal Service states that

IMTS—Inbound revenue reported for this product represents the fees the Postal Service receives from certain foreign postal operators for cashing their inbound international money orders. In most cases, these fees are calculated on the basis of the face value of the money order and not on a per-item basis.

Response No. 2, Postal Service Responses to ACD Request, Docket No. ACR2012, June 26, 2013.

- (a) Please confirm that the “certain foreign postal operators” referred to in the quote above are Montserrat, St. Kitts, British Virgin Islands, Bahamas, Barbados, Japan, Peru, St. Vincent, Belize and Dominica. If not confirmed, please identify the foreign postal operators (and countries) to which the statement refers.
- (b) Please complete Table No. 1 (below) for international postal money orders cashed during FY 2013 at retail post offices outfitted with Point Of Service (POS) terminals (*i.e.*, POS-enabled) and retail post offices without POS terminals (*i.e.*, non-POS-enabled), by providing the following information: (1) fee revenue provided by the foreign postal operators identified in response to subpart (a), above, that is calculated on the basis of the face value of the international money orders cashed, a per-item basis, and any other bases, and describe those other bases; and (2) transaction volumes associated with the fee revenue.

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Table No. 1
IMTS-Inbound Revenues and Transaction Volumes
By Revenue Methodology and Retail Postal Facility

International Postal Money Orders Cashed at Retail Postal Facilities						
Fee Revenue Methodology	With POS Terminals (POS-Enabled)		Without POS Terminals (non-POS-Enabled)		Grand Total	
	<u>Fees</u>	<u>Volumes</u>	<u>Fees</u>	<u>Volumes</u>	<u>Fees</u>	<u>Volumes</u>
	[a]	[b]	[c]	[d]	[a]+[c]	[b]+[d]
Face Value						
Per Item						
Other Basis						
TOTAL	2		2			

- (c) Fee revenue received from foreign postal operators for international money orders cashed/redeemed with the Postal Service is reported in General Ledger Account 43319, Money Order Fees—Commission for Redeeming International Foreign Issue. Library Reference USPS-FY13-NP5, FY 2013 ICRA Overview/Technical Description, Part II, Chapter 9 at 29. For POS-enabled and non-POS-enabled offices, please explain how and where various money order data, such as the number of money orders, face value of each money order, and the money order numbers, for each country of origin, from international money orders cashed/redeemed are recorded in the Postal Service's accounting, statistical or other data systems for purposes of reporting such data to each of the foreign postal operators identified in response to subpart (a), above.

RESPONSE:

(a-c) Responses provided under seal in USPS-FY13-NP36.