

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2018

Docket No. ACR2018

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued January 4, 2019)

To clarify the basis of information provided by the Postal Service in its FY 2018 Annual Compliance Report (ACR), filed December 28, 2018,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 11, 2019.

Financial

1. On page 28 of its FY 2018 Form 10-K,² the Postal Service states that “total work hours increased by approximately 6 million, or 0.5%, compared to 2017.” Please provide all data (and data sources) showing the workhour measurements by Labor Distribution Code for FY 2018 and FY 2017.
2. On page 29 of Library Reference USPS-FY18-17,³ the Postal Service discusses Total Factor Productivity (TFP). Please provide all supporting workpapers for the derivation of FY 2018 TFP.

¹ United States Postal Service FY 2018 Annual Compliance Report, December 28, 2018 (FY 2018 ACR).

² United States Postal Service Annual Report on Form 10-K, November 14, 2018, at 28 (FY 2018 Form 10-K).

³ United States Postal Service Annual Report and Comprehensive Statement of Postal Operations, Library Reference USPS-FY18-17, December 28, 2018, at 29.

3. On page 64 of FY 2018 Form 10-K, the Postal Service states “[o]n September 28, 2018, under the most recent amendment to the NPA [Note Purchase Agreement], the [Federal Financing Bank] extended the NPA until December 31, 2018, (one quarter) as opposed to its prior practice of annually extending the NPA for a full fiscal year.” FY 2018 Form 10-K. Please provide an update on the extension of the NPA.

Market-Dominant International

4. Please refer to the FY 2018 ACR at 11-12. The Postal Service states that it incorporated a new method for distributing revenue for the Inbound Letter Post product in Library Reference USPS-FY18-NP2. The Postal Service explains that the new method distributes “dispatch format revenue to item formats based on the revenue per piece and revenue per pound for those mail flows where terminal dues are calculated on a per-item and per-kilogram basis[.]” FY 2018 ACR at 11-12. Please provide a technical explanation of this new distribution, including the data, analysis, and documentation on which this distribution is based.
5. 39 C.F.R. § 3050.21(j)(2) requires the Postal Service to provide “any third-party service performance results upon which any financial penalty or bonus is determined, and identify the amount of any forfeited revenue[.]”
 - a. Please confirm that the Postal Service forfeited revenue in both CY 2017 and CY 2018 based on its Quality Link Measurement System results for the Inbound Letter Post product.
 - b. If confirmed, please provide the amounts of forfeited revenue for both CY 2017 and CY 2018. For CY 2018, please include the amount based on all monthly results available to date. If all monthly results are not available, please provide an updated amount of forfeited revenue for CY 2018 once all monthly results are available and explain how this amount is calculated based on service performance results.

Customer Access

6. Please provide the number of Self Service Kiosks (SSKs)⁴ in operation as of the end of FY 2018. If this number differs from the Postal Service's planned total of 2,745⁵ by the end of FY 2018, please explain. Please describe any formal plan(s) for the addition or removal of SSKs during FY 2019.
7. In Docket No. ACR2017, the Postal Service filed a "Retail Revenue by Channel" table in response to a Chairman's Information Request.⁶ Please provide an updated table for FY 2018.
8. Please provide the proportion of collection boxes for which the last mail pickup time is:
 - a. Midnight to 11:59 a.m.
 - b. Noon to 2:59 p.m.
 - c. 3:00 to 4:59 p.m.
 - d. 5:00 p.m. to 6:59 p.m.
 - e. 7:00 p.m. to 11:59 p.m.
 - f. For each of a-e, please provide the proportions for Monday-Friday and Saturday-Sunday separately, if applicable.
9. Please provide a table detailing the following information regarding Village Post Offices (VPOs):
 - a. The number of VPOs in existence at the beginning of FY 2018.
 - b. The number of VPOs opened in FY 2018.

⁴ Previously referred to as Automated Postal Centers.

⁵ Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-19 of Chairman's Information Request No. 2, January 17, 2018, question 13 (Docket No. ACR2017 Response to CHIR No. 2).

⁶ Docket No. ACR2017 Response to CHIR No. 2, question 14.

- c. The number of VPOs closed in FY 2018.
 - d. The number of VPOs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 721,⁷ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.⁸ If not confirmed, please explain.
10. Please provide a table detailing the following information regarding Community Post Offices (CPOs):
- a. The number of CPOs in existence at the beginning of FY 2018.
 - b. The number of CPOs opened in FY 2018.
 - c. The number of CPOs closed in FY 2018.
 - d. The number of CPOs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 465,⁹ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.¹⁰ If not confirmed, please explain.
11. Please provide a table detailing the following information regarding Contract Postal Units (CPUs):
- a. The number of CPUs in existence at the beginning of FY 2018.
 - b. The number of CPUs opened in FY 2018.
 - c. The number of CPUs closed in FY 2018.

⁷ Docket No. ACR2017 Response to CHIR No. 2, question 16.

⁸ FY 2018 ACR at 60-61.

⁹ Docket No. ACR2017 Response to CHIR No. 2, question 17.

¹⁰ FY 2018 ACR at 60-61.

- d. The number of CPUs in existence at the end of FY 2018.
 - e. If the Postal Service's answer to part (a) is different from their stated end of FY 2017 number of 2,249,¹¹ please confirm the reason stems from the discrepancy discussed by the Postal Service in the FY 2018 ACR.¹² If not confirmed, please explain.
12. The Commission has historically found differences between the retail facility data provided by the Postal Service in its Annual Report to Congress and the retail facility data provided in ACR dockets.¹³ Please refer to the embedded chart and fill it in per the Postal Service's most recent records for FY 2016, FY 2017, and FY 2018.

¹¹ Docket No. ACR2017 Response to CHIR No. 2, question 18.

¹² FY 2018 ACR at 60-61.

¹³ See, e.g., Docket No. ACR2017, *Annual Compliance Determination*, March 29, 2018, at 162.

Facility Type	FY 2016	FY 2017	FY 2018
Post Offices			
Classified Stations & Branches and Carrier Annexes			
Total Postal-Managed	-	-	-
Contract Postal Units			
Village Post Offices			
Community Post Offices			
Total Non-Postal-Managed	-	-	-
Total Retail Facilities	-	-	-

Commission Flats Directives

13. In Docket No. RM2018-1, the Postal Service provided an Excel file that detailed volumes and costs for flat-shaped mail.¹⁴ Please provide an update of this Excel file that includes FY 2017 and FY 2018 volume and cost data for flat-shaped mail.
14. In the FY 2018 ACR, the Postal Service states that “it is not able to provide an estimated timeline for phasing out the Flats subsidy.” FY 2018 ACR at 36. Please provide an estimated timeline for phasing out the Flats subsidy using reasonable assumptions for changes in costs and price increases. For example, in Docket No. R2019-1, the Postal Service increased the price of USPS Marketing Mail Flats by 105.2 percent of CPI-U, which could be used as an assumption for future price adjustments.¹⁵ If the Postal Service is still unable to estimate the timeline for phasing out the Flats subsidy, please identify data that is not available along with reasons why the Postal Service is unable to make

¹⁴ Docket No. RM2018-1, Library Reference USPS–RM2018–1/1, December 4, 2017.

¹⁵ FY 2018 ACR at 25 (citing Docket No. R2019-1, United States Postal Service Notice of Market-Dominant Price Change, October 10, 2018, at 16).

reasonable assumptions to determine when revenues will exceed attributable costs for USPS Marketing Mail Flats.

15. The Postal Service states that it “intends to evaluate combining Flats, Carrier Route Flats, and High Density Flats into a single Non-Saturation Flats product.” FY 2018 ACR at 18.
 - a. Please provide a timeline of when the Postal Service’s evaluation will be complete.
 - b. Please provide historical data to demonstrate that “[b]ased on feedback from industry representatives, which is supported by volume trends, flats volume has migrated from the Flats and Carrier Route products into High Density Flats because of comailing.” FY 2018 ACR at 17.
 - c. Please estimate the cost coverage of the “Non-Saturation Flats product” for FY 2018, include all assumptions used to estimate the cost coverage.
16. The Flats Sequencing System Scorecard shows changes for FY 2017 to FY 2018 and the Commission calculates that throughput per hour decreased 5 percent, Delivery Point Sequence decreased 0.5 percentage points, Mail Pieces At-Risk decreased 1.2 percentage points, and leakage increased 1.8 percentage points. See FY 2018 ACR at 29. Please provide a narrative and supporting data that explain the reasons for these changes, and plans to improve these metrics in FY 2019.
17. In FY 2017, the Postal Service cited Lean Mail Processing (LMP) as an initiative to make processing USPS Marketing Mail Flats and Periodicals mail more efficient.¹⁶ FY 2017 ACR at 25, 29. Specifically, the Postal Service stated that in FY 2017 the Postal Service “focused on stabilizing the LMP program” and described the LMP program as “a standardized, statistical program utilized for

¹⁶ Docket No. ACR2017, United States Postal Service FY 2017 Annual Compliance Report, December 29, 2017 (FY 2017 ACR).

improving mail processing.” *Id.* at 29. The FY 2018 ACR does not mention this program. Please provide the status of the LMP program in FY 2018, along with any operational outcomes that resulted from the program in FY 2018.

18. In FY 2018, the Work In Process (WIP) cycle time for “Median 5 Day Mail Processing WIP USPS Marketing Mail Flats” increased by 4 hours and the “Median 5 Day Mail Processing WIP Periodicals Flats” increased by 3 hours. See FY 2018 ACR at 30. Please explain how this impacts costs and service for USPS Marketing Mail Flats and Periodicals and provide detailed plans to reduce WIP cycles times in FY 2019.

USPS Marketing Mail

19. In FY 2018 USPS Marketing Mail Parcels’ average weight per piece increased “around 6 percent.” FY 2018 ACR at 15. Please explain how this increase in average weight per piece impacts unit attributable costs for USPS Marketing Mail Parcels.

First-Class Mail Service Performance

20. For First-Class Mail, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, shape/product, and service standard.
21. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for First-Class Mail products not meeting service targets in FY 2018.
22. Please refer to Library Reference USPS–FY18–29, PDF file “FY18-29 Service Perf Report.pdf,” at 7 (FY 2018 Service Performance Report). With respect to each of the following root causes of service performance failure for First-Class Mail, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In

the responses, please indicate if the reason(s) and effect(s) differ for pieces based on shape, product, or service standard.

- a. Origin sites failing to clear outgoing mail on time;
 - b. Mail waiting to be picked up at freight houses;
 - c. Origin sites failing to dispatch network trips on time;
 - d. Origin sites not clearing Flat operations on time; and
 - e. Surface Transfer Centers not meeting targeted transfer times.
23. Please provide the national level percentages of First-Class Mail Single-Piece Letters/Postcards that were transported using air transit and ground transit. These results should be for Fiscal Quarters 1, 2, 3, 4, "mid-year,"¹⁷ "second-half,"¹⁸ and annually¹⁹ for FY 2017 and FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.
24. Please refer to Docket No. ACR2017, Response to CHIR No. 2, question 8.a.
- a. Please confirm that this definitional criteria used to classify the specific root cause of failure remained accurate for FY 2018. If not confirmed, please describe any differences.
 - b. Please confirm that a root cause failure indicator is not assigned to a mailpiece that is delivered within its applicable service standard (e.g., 2-day or 3-5-day). If not confirmed, please explain.
 - c. Please confirm that no more than one root cause failure indicator is assigned per mailpiece. If not confirmed, please explain.

¹⁷ Mid-year refers to the aggregation of the data for Quarters 1 and 2 of the applicable fiscal year.

¹⁸ Second-half refers to the aggregation of the data for Quarters 3 and 4 of the applicable fiscal year.

¹⁹ Annually refers to the aggregation of the data for all four fiscal quarters of the applicable fiscal year.

25. Please refer to Docket No. RM2018-1, Response of the United States Postal Service to Commission Information Request No. 2, May 29, 2018, PP2-4 question 2; and Docket No. RM2018-1, Library Reference USPS–RM2018–1/2, Excel file “CIR2.PP2-4 Q2.Top 5 Root Cause Point Impacts.xlsx”, May 30, 2018.
- a. Please provide updated results for Fiscal Quarters 3 and 4 for FY 2018.
 - b. Please provide results attributed to air transit Automated Area Distribution Center (AADC)/Area Distribution Center (ADC) processing delays for each fiscal quarter of FY 2015 through FY 2018.
 - c. Please provide results attributed to surface transit AADC/ADC processing delays for each fiscal quarter of FY 2017 through FY 2018.
26. With respect to each of the following root causes of service performance failure for First-Class Mail Single-Piece Letters/Postcards, please provide a narrative response explaining the reason(s) why the levels reported for FY 2018 increased from the levels reported for FY 2017, the steps that the Postal Service has taken to reverse this trend, and the steps that the Postal Service plans to take to reverse this trend. In the responses, please indicate if the reason(s) and step(s) differ for pieces subject to the 2-Day versus the 3-5-Day service standard. For all steps identified in the responses (taken or planned), please specify the relevant timeframe (*e.g.*, fiscal quarter(s) for which steps were taken or are planned to occur) and what measures the Postal Service has put in place to ensure that steps have or will be taken to reverse this trend.
- a. AADC/ADC processing delay (in the response, please address the reason(s) and step(s) specific to air and surface transit separately);
 - b. Origin processing delay;
 - c. Last mile failure;
 - d. Late Incoming Secondary Processing; and

- e. Origin Missent.
27. Please provide the national level percentages of 3-5-Day First-Class Mail Single-Piece Letters/Postcards that were classified as Late Incoming Secondary Processing for each fiscal quarter of FY 2015 through FY 2018.
 28. Please provide the national level percentages of 3-5-Day First-Class Mail Single-Piece Letters/Postcards that were classified as Origin Missent for each fiscal quarter of FY 2015 through FY 2018.
 29. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to mailpieces reported to have already missed the service standard by the Last Processing Operation (which are classified as “Miss by LPO”) for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.
 30. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to mailpieces classified as having experienced a collection delay for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.
 31. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to critically late trips (CLTs) for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.
 32. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to the air capacity gap for each fiscal quarter of FY 2015 through FY 2018. Please present results for each service standard (2-Day versus 3-5-Day) separately.

USPS Marketing Mail Service Performance

33. For USPS Marketing Mail products not meeting service targets in FY 2018, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, shape/product, and service standard.
34. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for USPS Marketing Mail products not meeting service targets in FY 2018.
35. Please refer to the FY 2018 Service Performance Report at 13. With respect to each of the following root causes of service performance failure for USPS Marketing Mail, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In the responses, please indicate if the reason(s) and effect(s) differ for pieces based on shape, product, or service standard.
 - a. Failure to process mail in First-In-First-Out (FIFO) order; and
 - b. Failure to run to daily processing capacity.
36. For each End-to-End USPS Marketing Mail product with a 6-10-day service standard, please provide the volume and the percentage based on the total USPS Marketing Mail volume that is End-to-End and has a 6-10-day service standard for FY 2018.²⁰

Periodicals Service Performance

37. For Periodicals, please provide the top five root cause point impacts for FY 2017 and FY 2018, disaggregated by quarter, product, and service standard.

²⁰ See Docket No. ACR2017 Response to CHIR No. 2, question 10.

38. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for Periodicals products not meeting service targets in FY 2018.
39. Please refer to the FY 2018 Service Performance Report at 16. With respect to each of the following root causes of service performance failure for Periodicals, please provide a narrative response explaining the reason(s) why each type of failure occurs and the corresponding effect on service performance results. In the responses, please indicate if the reason(s) and effect(s) differ for pieces based on product or service standard.
 - a. Failure to process mail in FIFO order; and
 - b. Failure to run to daily processing capacity.

Package Services Service Performance

40. For Bound Printed Matter (BPM) Flats and Media Mail/Library Mail, please provide the top five root cause point impacts for FY 2017 and FY 2018 disaggregated by quarter, shape/product, and service standard.
41. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for BPM Flats and Media Mail/Library Mail not meeting service targets in FY 2018.
42. Please provide the volume and percentage of BPM Flats and Media Mail/Library Mail that were manually processed in FY 2018.
43. As part of its mitigation plan for BPM Flats service performance in FY 2018, the Postal Service stated that it “continues to review the entry and make-up requirements” for BPM Flats.²¹

²¹ Library Reference USPS–FY17–29, PDF file “FY17-29 Service Perf Report.pdf,” at 23 (FY 2017 Service Performance Report).

- a. Please describe any changes to the entry and make-up requirements that were implemented in FY 2018.
 - b. For any changes to the entry and make-up requirements to address BPM Flats service performance that are planned or pending review, please describe the planned change, identify the problem that the change is expected to remediate, and provide an estimated timeframe for implementation.
44. As part of its mitigation plan for BPM Flats service performance in FY 2018, the Postal Service stated that it will advance processing “to day zero (day of acceptance).”²² Please quantify the volume and percentage of BPM Flats that were advanced to day zero in FY 2018.

Post Office Box Service Performance

45. For Post Office Box Service, please provide the top five root cause point impacts for FY 2017 and FY 2018 disaggregated by quarter.
46. Please explain what methods, metrics, or processes the Postal Service utilized to determine the top root causes for Post Office Box Service not meeting its service target in FY 2018.

Service Performance 24-Hour Clock

47. Please confirm that the following national operating plan targets (also referred to as the 24-Hour Clock national clearance goals) were in effect for FY 2018. If not confirmed, please provide the revised information for FY 2018.
- a. Cancelled by 20:00 = 80 percent of First-Class Mail Single-Piece Letters/Postcards;

²² FY 2017 Service Performance Report at 23.

- b. Outgoing primary cleared by 24:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;
 - c. Outgoing secondary cleared by 00:30 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;
 - d. Mail assigned to Commercial/FedEx by 02:30 = 95 percent of First-Class Mail Single-Piece Letters/Postcards, Presorted Letters/Postcards, and Flats;²³
 - e. Trips on-time between 00:00-07:00 = 88 percent of outbound trips from a mail processing facility;
 - f. MMP cleared by 15:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;
 - g. DPS second pass cleared by 05:00 = 95 percent of First-Class Mail Single-Piece Letters/Postcards and Presorted Letters/Postcards;²⁴ and
 - h. Carriers returned by 17:00 = 87 percent of delivery unit carriers return to the office.
48. Please discuss the Postal Service's steps taken to promote achievement of the following 24-Hour Clock national clearance time targets in FY 2018:
- a. Outgoing primary cleared by 24:00;
 - b. Mail assigned to Commercial/FedEx by 02:30;
 - c. Trips on time between 00:00-07:00; and
 - d. MMP cleared by 15:00.

Service Performance Measurement Systems

²³ This measurement may also include Priority Mail and First-Class Package Service competitive products.

²⁴ This measurement may also include Standard Mail Letters.

49. Please provide the percent of market dominant mail measured by Full-Service Intelligent Mail Barcode (IMb) in FY 2018 disaggregated by quarter and mail class (e.g., First-Class Mail, USPS Marketing Mail, Periodicals, and Package Services).
50. Please provide the information requested in the following table for FY 2018.

Product	Percentage of Mail in Measurement	Percentage of Mail entered at Full-Service IMb prices and included in measurement	Percentage of Mail Processed as Full-Service IMb, but excluded from measurement
First-Class Mail			
Presorted Letters/Postcards			
Flats			
Standard Mail			
High Density and Saturation Letters			
High Density and Saturation Flats/Parcels			
Carrier Route			
Letters			
Flats			
EDDM-Retail			
Parcels			
Total Standard Mail			
Periodicals			
In-County			
Outside County			
Package Services			
Bound Printed Matter Flats			
N/A = Not Applicable			
Not Available = The Postal Service does not have this information available.			

By the Chairman.

Robert G. Taub