

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

ANNUAL COMPLIANCE REVIEW, 2018

Docket No. ACR2018

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-20 OF CHAIRMAN'S INFORMATION REQUEST NO. 3

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 3, issued on January 11, 2019. Answers are filed today because, due to the lapse of appropriations, the Commission's Docket Section was closed on (and every day since) the originally-scheduled response date. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please refer to the Postal Service's discussion of the Special Services product Customized Postage in Docket No. ACR2018. FY2018 ACR at 42. Please provide a timeline for when the Postal Service expects the revised authorization for Customized Postage vendors to be complete, when it intends to collect all applicable fees and revenue, when it can expect any additional payments, and when this information will be submitted to the Commission.

RESPONSE:

Currently, there is only one Customized Postage vendor. Stamps.com acquired Endicia in 2015. Zazzle's authorization expired in 2018 and will not be renewed. The Postal Service plans to provide a revised authorization agreement to the Customized Postage vendor by January 31, 2019. While the Postal Service hopes that this authorization will be signed (and that payment for the year ending May, 2019 will be collected) within the following weeks, that depends in part on the response of the vendor. The Postal Service will provide updates to the Commission as progress is made, and no later than March 1, 2019.

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2. In its FY 2018 ACR, the Postal Service asserts that “[w]here possible, [it] has developed key metrics to monitor and gauge the operational impact of changes, specifically related to flat mail processing.” FY 2018 ACR at 26. Later in the same section, the Postal Service asserts that “[i]n FY 2018, [it] continued to add sortation bins to the [Automated Parcel and Bundle Sorter (APBS)] APBS and [Automated Package Processing System (APPS)] APPS fleet.” *Id.* at 28. Please identify the “key metric(s)” used to monitor and gauge the operational impact of adding bins to the APBS and the APPS machines for flat mail processing. If the Postal Service is unable to identify such a metric, please identify the general metric used to gauge the operational impact of the adding bins to the APBS and APPS machines. If the Postal Service is unable to identify any metric to monitor the operational impact of adding bins to the APBS and APPS machines, please explain why the Postal Service is unable to identify a metric.

RESPONSE:

Increasing the number of sortation bins on the APPS or the APBS helps to finalize more mail on a primary automated operation, thereby reducing the amount of mail that must be reworked on a secondary automated operation or reworked manually. Finalizing mail as early as possible and moving it to its next handling, be it to another internal operation or dispatch, aids in meeting service expectations. A key metric used to gauge the operational impact of adding bins, calculated at the site of modified equipment, is volume of mail finalized before the bins were added versus after they were added.

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3. The Postal Service states that “[i]n FY 2018. . . . a new flats bundle and package sorter was introduced—the Enhanced Package Processing System (EPPS).” *Id.* at 27. The Postal Service explains that one EPPS machine was added in FY 2018, and that it “intends to add an additional EPPS in FY 2019.” *Id.* at 28 n.37.
- a. Please provide the volume of bundles and the volume of packages processed on the EPPS machine in FY 2018. In addition, provide all volume data related to the classes, products, and shapes of mail processed on the EPPS machine in FY 2018.
 - b. Please provide the number of packages processed per hour for the EPPS machine in FY 2018.
 - c. Please provide the number of bundles processed per hour for the EPPS machine in FY 2018.
 - d. The Postal Service states that the “automated sorter induction and 440 sort bins” on the EPPS machine “eliminate[] the need to manually singulate and face packages for automated processing, thereby achieving higher productivity than any of the Postal Service’s other package sorting systems.” *Id.* at 28 (footnote omitted). Please provide data to support this statement. At a minimum, the data should show the actual and planned productivities for EPPS, APBS, and APPS.
 - e. Please identify the “key metric(s)” used to “monitor and gauge the operational impact, specifically related to flat mail processing,” with regard to the EPPS machine. See *id.* at 26. If the Postal Service is unable to develop such a metric for the EPPS machine for flat mail processing, please identify the general metric used to gauge the operational impact of the EPPS machine. If the Postal Service is unable to identify any metric to monitor the operational impact of the new EPPS machine, please explain why the Postal Service is unable to identify such a metric.
 - f. Please explain if they Postal Service considered cost savings when introducing the EPPS machine. If the Postal Service did consider cost savings, please provide cost savings estimates for the EPPS machine. If cost savings were not considered, please explain why not.

RESPONSE:

- a. The EPPS was only operational during the last week of FY 2018; the MODS data show it processed a total of 133,227 pieces. With 440 sortation bins, the EPPS is capable of running multiple mail classes, products, and shapes on the

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same sort program. The Postal Service is unable to break down the FY 2018 volume data by class, product, and shape of mail.

b-c. The number of pieces processed per hour by the EPPS in FY 2018 was 8,714 (TPF/machine run time). It is important to note that the EPPS only ran for one week in FY 2018. There are insufficient FY 2018 data to reliably measure bundle and package processing throughput or productivity separately.

d. The FY 2018 actual and target productivities are provided below:

FY 2018 APBS, APPS, and EPPS Productivities

| | Target Productivity (TPH/Hour) | Actual Productivity (TPH/Hour) |
|--------------|-----------------------------------|-----------------------------------|
| APBS Parcels | 422 | 304 |
| APBS Bundles | 320 | 188 |
| APPS Parcels | 513 | 309 |
| APPS Bundles | 405 | 227 |
| EPPS | 434 | 488 |

Source: Variance Programs & WebMODS

e. The Postal Service is unable to develop a metric specific to flats mail processing, but will continue to monitor pieces per hour (MODS productivities) and service performance to gauge the operational impact of the EPPS machine more generally.

f. The Postal Service considered cost savings when introducing the EPPS. The requested data, relating to an ongoing procurement matter, are provided under seal as part of the Preface of USPS-FY18-NP34.

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4. The Postal Service asserts that it “removed 59 [Automated Flat Sorting Machine (AFSM)] AFSM 100 machines from processing plants in FY 2018.” *Id.* at 28. Please identify the “key metric(s)” used to “monitor and gauge the operational impact, specifically related to flat mail processing,” with regard to removing AFSM 100 machines. See *id.* at 26, 28. If the Postal Service is unable to develop such a metric for removing AFSM 100 machines with regard to flat mail processing, please identify the general metric used to gauge the operational impact of removing AFSM 100 machines. If the Postal Service is unable to identify any metric to monitor the operational impact of removing AFSM 100 machines, please explain why the Postal Service is unable to identify such a metric.

RESPONSE:

The Postal Service will continue to utilize pieces per hour (MODS productivity) and service performance to gauge the operational impact of removing AFSM 100 machines. In addition, the Postal Service will continue to use the Run Plan Generator (RPG) tool to schedule processing on its remaining machines for optimal utilization.

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5. The Postal Service states that the increase in cost for USPS Marketing Mail Flats in FY 2018 “was likely due *in part* to movement of Flats volume to High Density Flats.” *Id.* at 17 (emphasis added). Please identify the other factors that contributed to the increase in USPS Marketing Mail Flats costs.

RESPONSE:

The year-over-year change in USPS Marketing Mail Flats costs continues to be affected by classification changes from the January 2017 implementation of Docket No R2017-1 rates. As the Postal Service previously noted, FY2017 was a partial year under the new classifications, with quarter 1 and part of January 2017 under the old classification.

Thus, as with comparisons of FY2017 to FY2016 unit costs, a significant portion of one year is under a distinct classification regime. The migrated mail from USPS Marketing Mail Flats due to the R2017-1 classification changes—mail eligible for Carrier Route or High Density rates but prepared for FSS processing—is likely to have lower costs than other Flats, but relatively high costs compared to other flat-shape Carrier Route and High Density volumes. The classification change would be expected to increase annual FY 2018 unit costs (relative to annual FY 2017 unit costs) not only for Flats, but also for other flat-shape USPS Marketing Mail products. See FY2018 ACR at 34-35.

Additionally, hourly labor costs put upward pressure on mail processing and city delivery costs in general. The FY2018 mail processing wage rate increased 2.7 percent over FY2017 and the productive hourly rate for city delivery carriers increased 2.2 percent. See Docket No. ACR2018, USPS-FY18-7, USPS-FY18-7 part 8.xlsx; Docket No. ACR2017, USPS-FY17-7, USPS-FY17-7 part 8.xlsx.

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Changes in automated bundle and flat sorting productivities were mixed. Over all schemes and equipment subtypes, bundle sorting productivities (TPF/workhour) declined 1 percent and AFSM100 productivities declined 7 percent. FSS productivity improved 2 percent, however. See Docket No. ACR2018, USPS-FY18-23, YRscrub2018.xlsx; Docket No. ACR2017, USPS-FY17-23, YRscrub2017.xlsx. The AFSM100 productivity decline was partly offset by a reduction in flat prep workhours.

Finally, the increase in unit transportation costs is likely due to an increase in accrued costs for surface transportation in conjunction with an upstream shift of the entry profile for remaining USPS Marketing Mail Flats. Similar to the effects on mail processing costs, mail migrating from the Flats to Carrier Route and High Density products due to classification changes and preparation improvements will tend to be entered into the postal system closer to its destination than less presorted and/or less dense Flats mailings.

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6. In the FY 2018 ACR, the Postal Service identifies operational changes designed to reduce flats costs. See *id.* at 26-32. Please explain if the Postal Service is undertaking any new operational changes in FY 2019 to reduce flats costs. If any new operational changes are planned, please discuss those changes and any intended metrics that will be used to analyze the operational impact of those changes.

RESPONSE:

The Postal Service intends to add an additional EPPS in FY 2019, and may need to remove additional AFSM 100s as the organization adjusts to declining mail volumes. Moreover, we will continue working to improve the flats operation by adhering to the processes currently in place.

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7. In FY 2018, the passthrough for Automation Mixed Automated Area Distribution Center (AADC) Letters was 216.7 percent. *Id.* at 20. The Postal Service justifies this discount pursuant to 39 U.S.C. § 3622(e)(2)(D). *Id.*
- a. Please explain how setting this workshare discount equal to its avoided costs would impede the efficient operation of the Postal Service.
 - b. Please identify and explain all operational efficiencies not captured in the cost avoidance models that necessitate setting this workshare discount above its avoided costs. Please provide supporting workpapers.
 - c. Please state whether the Postal Service plans to reduce this discount in its next market dominant price adjustment. If the Postal Service does not plan to reduce this discount, please explain why not.

RESPONSE:

a-b. Given that almost all barcoded Letter mail bears a Full-Service Intelligent Mail barcode (IMb), reducing this barcode workshare discount so that it equals its avoided costs (without ensuring an appropriate incentive for Full-Service) would impede the efficient operation of the Postal Service by discouraging use of Full-Service IMb. The cost avoidance models do not capture the operational efficiencies that flow from information obtained from Full-Service IMb: Cost models address the direct measurable cost differences associated with barcoded pieces versus non-barcoded pieces. A mailer-applied Full-Service IMb enables the Postal Service to trace machine scans back to the mailer's electronic documentation, which enables operational personnel to gain information with which to investigate processing failures. The Full-Service IMb provides, for example, visibility into where and when the piece was entered; the container in which the piece was entered;

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and the identity of the mailer that entered the piece. By having this information available, the Postal Service can continually work with customers and mail service providers to improve mail preparation processes, which reduces costs.

Specifically, information collected from Full-Service IMb facilitates initiatives from which the Postal Service captures efficiency benefits. These initiatives include: Internal service measurement; Informed Visibility; Informed Delivery and Informed Addressing; automated verification through Seamless Acceptance; automated entry of mail; and, a Mailer Scorecard that provides valuable insight on mail quality to mailers (including address hygiene and Move Update compliance). These initiatives result in benefits to the Postal Service, such as reduced workhours at Business Mail Entry Units. However, operational efficiencies captured from information gleaned from mailer-applied barcodes are difficult to measure and capture in cost models.

- c. The Postal Service is committed to bringing this passthrough into compliance with the statute. Largely due to a significant increase in the cost avoidance resulting from the Docket No. RM2019-1 methodology changes, this passthrough dropped from 1300 percent in Docket No. ACR2017 to 216.7 percent in FY 2018. In Docket No. R2019-1, the Postal Service reduced the discount by \$0.002, while increasing the Full Service incentive by the same

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amount. The Postal Service plans to take a similar approach in the next market-dominant price adjustment and future adjustments, proposing gradual decreases to the discount so as to avoid rate shock and unintended consequences for mailers. The Postal Service intends to work with the industry to understand the risks associated with this approach.

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8. In FY 2018, the passthrough for Automation Mixed ADC Flats was 189.5 percent. *Id.* at 21-22. The Postal Service justifies this discount pursuant to 39 U.S.C. § 3622(e)(2)(D). *Id.*
- a. Please explain how setting this workshare discount equal to its avoided costs would impede the efficient operation of the Postal Service.
 - b. Please identify and explain all operational efficiencies not captured in the cost avoidance models that necessitate setting this workshare discount above its avoided costs. Please provide supporting workpapers.
 - c. Please explain the operational changes that took place in FY 2018 that necessitate the application of the operational efficiency statutory exception, bearing in mind that the exception was not cited in Docket No. R2019-1 when the discount was set equal to its avoided costs.¹
 - d. Please state whether the Postal Service plans to reduce this discount in its next market dominant price adjustment. If the Postal Service does not plan to reduce this discount, please explain why the Postal Service is no longer committed to aligning this discount with avoided costs.²

RESPONSE:

a-b. Similar to Automation Letters, the vast majority of barcoded Automation Flats bore a Full-Service IMb in FY 2018. The importance of the Full-Service IMb to the efficient operation of the Postal Service, and the difficulty in quantifying these efficiencies in cost models, are discussed in response to subparts a and b of Question 7.

¹ See Docket No. R2019-1, United States Postal Service Notice of Market-Dominant Price Change, October 10, 2018, at 17.

² See Docket No. ACR2016, United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016, at 43.

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c-d. The exception was not cited in Docket No. R2019-1 because the workshare discount was set equal to avoided costs.³ The Postal Service intends to reduce the discount in its next market dominant price adjustment contingent upon changes in the estimated value of the cost avoidance and other business needs at the time of filing.

³ See 39 C.F.R. 3010.12(b)(6).

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9. Please refer to page 63 of the FY 2018 ACR where the Postal Service states "Remaining Suspension Status EOY FY18: **250**" (emphasis in original) and Library Reference USPS–FY18–33 where the Postal Service indicates that there are 344⁴ remaining suspensions at the end of FY 2018.
- a. Please reconcile and provide an explanation for the two different counts of suspended Post Offices at the end of FY 2018.
 - b. On page 65 of the FY 2018 ACR, the Postal Service provides a revised schedule for resolving the remaining Post Office suspensions. This schedule of projected suspension resolutions begins with 250 suspended offices. Please confirm that the Postal Service has a schedule accounting for the stated 344 suspensions. If confirmed, please provide that schedule. If not confirmed, please explain.

RESPONSE:

- a.
The Postal Service, per the Commission's FY 2017 Annual Compliance Determination (see Annual Compliance Determination Report, Fiscal Year 2017, March 29, 2018, at pp. 164, 166) is required to provide a quarterly report on the status of suspended Post Offices, including the 662 Post Offices that were in suspension status as of the end of FY 2016 (hereinafter referred to as the "original 662 suspensions".) Of these original 662 suspensions, 250 remain to be resolved (*i.e.*, officially closed/discontinued or reopened). USPS-FY18-33 includes these 250 offices remaining of the original 662 suspensions, as well as 94 additional Post Offices which went into suspension status at some point in

⁴ Docket No. ACR2018, Library Reference USPS–FY18–33, Excel file "PostOfficesFY2018.xlsx," tab "Suspension Summary," cell H26, December 28, 2018.

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time after FY 2016 and which remained in suspension status as of the end of FY 2018.

b.

Not confirmed. The additional 94 post-FY 2016 suspended Post Offices noted above have come into suspension status more recently than the original 662 suspensions, and are the product of the normal flow of Postal Service retail operations (including lease issues where lessors have not resolved physical safety problems) and reaction to emergency closings caused by natural disasters, etc. The Postal Service will review the status of all suspended offices throughout Quarters 2 and 3 of FY 2019. Regarding these 94 more recently suspended offices, not all will be discontinued. In some cases, a Post Office may be reopened if physical issues can be abated or alternate locations identified. The Postal Service will provide an updated plan on the status of these 94 more recently suspended Post Offices as part of its FY 2019 Quarter 4 suspension report.

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- 10.** 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 (Docket No. RM2018-1 Response to CIR No. 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 (Docket No. RM2018-1 Response to CIR No. 2, Root Cause Excel File).
- a. Please confirm that the data provided in Docket No. RM2018-1 Response to CIR No. 2, Root Cause Excel File refer to “the amount [number of percentage points] by which on-time performance decreased due to each specific root cause of failure.” Docket No. RM2018-1, Response to CIR No. 2, PP2-4 question 2.
 - b. If part a of this question is not confirmed, please explain.
 - c. Please explain how the data provided in Docket No. RM2018-1 Response to CIR No. 2, Root Cause Excel File was calculated.

RESPONSE:

- a. Confirmed.
- b. Not applicable.
- c. The point impacts were pulled from the EXFC Root Cause Failure Analysis and were calculated as: $(1 - \text{EXFC Weighted Score}) \times \text{Root Cause Category Failure Percentage} = \text{Root Cause Category Point Impact}$.

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11. Please refer to Tables A and B below.
- a. Please confirm that Table A displays the level of nationwide origin processing delays reported for 3-5-Day First-Class Mail Single-Piece Letters/Postcards, by percentage, by quarter. If not confirmed, please explain.

Table A

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|-----------|----------------|----------------|----------------|----------------|
| Q1 | 1.47 | 3.54 | 3.58 | 5.10 |
| Q2 | 4.57 | 2.68 | 2.57 | 4.64 |
| Q3 | 2.40 | 1.32 | 1.47 | 1.76 |
| Q4 | 1.57 | 1.19 | 1.59 | 1.79 |

Source: Library Reference USPS–FY18–29, December 28, 2018, Excel file “ACD.FCM.FY18Q3Q4.public - v01.xlsx,” tab “Q3a;” Docket No. ACR2017, Library Reference USPS–FY17–29, December 29, 2017, Excel file “Response2 - ACD.FCM.FY17Q3Q4.pub.xlsx,” tab “Q3c;” Docket No. ACR2016, Responses of the United States Postal Service to Questions 1-15 of Chairman’s Information Request No. 13, February 10, 2017, question 1.

- b. Please confirm that Table B displays the number of percentage points by which service performance results for 3-5-Day First-Class Mail Single-Piece Letters/Postcards decreased due to origin processing delays, by percentage, by quarter. If not confirmed, please explain.

Table B

| | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|-----------|----------------|----------------|----------------|----------------|
| Q1 | 1.47 | 3.54 | 3.52 | 5.09 |
| Q2 | 4.57 | 2.68 | 2.48 | 4.64 |
| Q3 | 2.4 | 1.32 | 1.44 | |
| Q4 | 1.57 | 1.19 | 1.58 | |

Source: Docket No. RM2018-1 Response to CIR No. 2, Root Cause Excel File.

Note: Table B does not contain data for FY 2018 Quarters 3 and 4 because the source file was provided to the Commission during FY 2018 Quarter 3.

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- c. Please explain why the data appearing in Tables A and B are the same for FY 2015 Quarter 1 through FY 2016 Quarter 4, and different for FY 2017 Quarter 1 through FY 2018 Quarter 2.
- d. With respect to the other "root cause" data provided in Docket No. RM2018-1 Response to CIR No. 2, Root Cause Excel File, please confirm that the explanation given in response to part c of this question would apply. If not confirmed, please explain.

RESPONSE:

- a. Not confirmed. Data provided for FY 2015 and FY 2016 were the Root Cause point impact data, not the percentage of failures. Starting in FY 2017, a method of calculation to determine percentage of First-Class Mail Single-Piece Letters/Postcards volume for a specific root cause was developed. This method calculates the number of failed pieces for a specific root cause and compares it to total First-Class Mail Single-Piece Letters/Postcards volume to determine the percentage of failures. Updated data using this method for FY 2015 and FY 2016 appear in Table A below:

| Quarter | FY15 | FY16 | FY17 | FY18 |
|---------|-------|-------|-------|-------|
| Q1 | 1.50% | 3.68% | 3.58% | 5.10% |
| Q2 | 4.62% | 2.78% | 2.57% | 4.64% |
| Q3 | 2.42% | 1.36% | 1.47% | 1.76% |
| Q4 | 1.62% | 1.24% | 1.59% | 1.79% |

Table A

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- b. Confirmed.
- c. Please see the response to question 11.a.
- d. Confirmed; please see the responses above. The "root cause" data in Docket No. RM2018-1, Response to CIR No. 2, Root Cause Excel File, were point impact data.

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- 12.** Please refer to Library Reference USPS–FY18–NP2, December 28, 2018, folder “ICRA Core Files,” Excel file “Reports (Unified).xls,” tab “A Pages (md),” row 32. Please confirm that this row includes data for inbound air and surface International Direct Sacks – M-bags. See Mail Classification Schedule (MCS), section 2330.1.
- a. If confirmed, please explain why these data are reported in this row instead of Excel file “Reports (Unified).xls,” tab “A Pages (c),” row 36.
 - b. If not confirmed, please explain how inbound air and surface International Direct Sacks – M-bags, as reported in Excel file “Reports (Unified).xls,” tab “Pivot1,” row 221, are included in Excel file “Reports (Unified).xls,” tab “A Pages (c),” row 36.

RESPONSE:

Confirmed.

- a. When Outbound M-Bags were reclassified as Competitive under International Direct Sacks - M-bags, Inbound M-Bags were inadvertently overlooked. The impact of the oversight is minimal because Inbound M-Bags are a small part of Total Inbound Letter Post.
- b. Not Applicable.

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- 13.** Please refer to Library Reference USPS–FY18–NP9, December 28, 2018, Excel file “IB LP Shape by UPU Group FY18.xlsx.” Please confirm that “UPU” data includes data for the Inbound Letter Post product⁵ only and does not include data for inbound air and surface International Direct Sacks – M-bags.⁶ If not confirmed, please refile this spreadsheet so that the “UPU” data contains data for the Inbound Letter Post product only.

RESPONSE:

Not confirmed. Please see the Excel file associated with this response filed under seal as part of USPS-FY18-NP34.

⁵ As defined in MCS section 1130.

⁶ See, e.g., Excel file “IB LP Shape by UPU Group FY18.xlsx,” tab “Summary,” column D; Excel file “IB LP Shape by UPU Group FY18.xlsx,” tab “ICRA Comparison,” column C.

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- 14.** Please refer to Library Reference USPS–FY18–NP30, December 28, 2018, files “UPU QS Link Perf 2017_redacted.pdf” and “UPU QS Link Perf 2018 to Oct_Redacted.pdf,” and Docket No. ACR2017, Library Reference USPS–FY17–NP31, January 12, 2018, files “ChIR 1 Q2 - QS Link - Final 2016.pdf” and “ChIR 1 Q3 - QS Link - YTD 2017.pdf.” Please explain the decline in Inbound Letter Post service performance from CY 2017 to CY 2018 (year-to-date).

RESPONSE:

Please see the response provided under seal in the Preface to USPS-FY18-NP34.

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15. Please refer to USPS–FY18–NP30, folder “International Inbound LettersFY18,” Excel files “1_Intl_FailedReads_Analysis_FY18_W_DEC23.xls,” “2_Intl_FailedReads_Analysis_FY18_W_MAR24.xls,” “3_Intl_FailedReads_Analysis_FY18_W_JUN16.xls,” and “4_Intl_FailedReads_Analysis_FY18_W_SEP22.xls.”
- a. Please identify and describe the events that may cause a “Dispatch/Transportation” failure.⁷
 - b. Please identify and describe the events that may cause a “Delayed in Destinating Plant” failure. See, e.g., *id.* cell F3.
 - c. Please identify and describe the events that may cause a “Left Automation” failure. See, e.g., *id.* cell F142.

RESPONSE:

- a. Items categorized as “Dispatch/Transportation” failures lack specifics on the cause of the delay. This category indicates that the items took longer than expected between the read on processing equipment to delivery. The cause of the delay may be missed dispatches to the next facility or transportation routings that fail to meet critical entry times for timely processing and delivery.
- b. Items categorized as “Delayed in Destinating Plant” show excessive time between the first read at the destinating processing facility and the last read at that facility. For instance, an item may have been processed on an incoming sort plan on Wednesday and not processed on a Delivery Point Sequencing (DPS) sort plan until Friday.

⁷ See, e.g., USPS–FY18–NP30, folder “International Inbound LettersFY18,” Excel file “1_Intl_FailedReads_Analysis_FY18_W_DEC23.xls,” tab “Data Reduction,” cell F37.

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- c. Items categorized as "Left Automation" show no reads on automated processing equipment after the initial read. This likely indicates that the item was processed manually.

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- 16.** Please refer to Library Reference USPS–FY18–29, December 28, 2018, PDF file “FY18-29 Service Performance Report.pdf.”
- a. The Postal Service states that one of the steps it is taking to improve performance is for individual International Service Centers (ISCs) to conduct projects and initiatives.⁸ Please describe these projects and initiatives, their goals, the service performance problems they are designed to correct or improve, implementation dates, and participating ISCs.
 - b. The Postal Service states that another of the steps it is taking to improve performance is a “Headquarters Black Belt Lean Six Sigma project[.]” USPS–FY18–29, file “FY18-29 Service Performance Report.pdf” at 8. Please include a discussion of the project, its goals, the service performance problems it is designed to correct or improve, implementation date, and participating ISCs.

RESPONSE:

- a. International Service Centers (ISCs) have focused on improving service of international inbound letters/flats performance by conducting local projects and initiatives. The New York ISC (JFK) is working with the Morgan P&DC to find offload alternatives for inbound letters to alleviate heavy workload. This initiative is ongoing. All five ISCs (New York, Miami, Chicago, San Francisco, and Los Angeles) worked together with USPS Headquarters during the month of December 2018 to complete site surveys of existing radio-frequency identification (RFID) reader placements in ISCs and partner processing plants. These initiatives will help determine the need for moving existing readers, adding additional

⁸ USPS–FY18–29, file “FY18-29 Service Performance Report.pdf,” at 8.

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readers, or removing those no longer needed. Ensuring readers are properly placed to provide visibility of test items will help the Postal Service track the movement of mail, and thereby identify points of failure in the system.

- b. The "Terminal Dues Score Improvement" Lean Six Sigma (LSS) Black Belt Project endeavors to improve the collection of Terminal Dues by improving the service performance of international inbound letter mail. The goal of the project is to drive performance toward the 88 percent target. The project is ongoing, and quick wins will be implemented prior to the end of the effort. The targeted completion date for the project is September 2019. All five ISCs (Chicago, Los Angeles, Miami, San Francisco, and New York) will participate. However, the initial focus of the project will be at the New York ISC (JFK) due to the amount of inbound letter volume processed at that facility. Specifically, the project team will review the inbound letter mail flow through the JFK facility and downstream plants to identify potential opportunities for delays, rework, or other inefficiencies. The team will devise solutions to eliminate these inefficiencies, pilot them, and review results. Successful solutions will be replicated at all ISCs.

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17. Please provide revenue, volume, weight, volume variable costs, and attributable costs data for the following eight Competitive domestic NSA products similar to the data filed for other competitive domestic NSA products in Library Reference USPS–FY18–NP27, December 28, 2018. If the data are not available, please explain.

| Contract Grouping | Contract | MC DOCKET | CP DOCKET | Implementation Date | Termination Date |
|--|-----------------|------------------|------------------|----------------------------|-------------------------|
| First-Class Package Service (FCPS) | Contract 51 | MC2016-119 | CP2016-149 | April 21, 2016 | April 20, 2019 |
| | Contract 54 | MC2016-121 | CP2016-178 | June 7, 2016 | June 6, 2019 |
| Priority Mail Express | Contract 30 | MC2016-32 | CP2016-38 | December 23, 2015 | December 22, 2018 |
| | Contract 34 | MC2016-93 | CP2016-118 | March 17, 2016 | March 16, 2019 |
| | Contract 38 | MC2016-161 | CP2016-232 | July 11, 2016 | July 10, 2019 |
| Priority Mail Express & Priority Mail | Contract 22 | MC2016-20 | CP2016-26 | December 9, 2015 | December 8, 2018 |
| | Contract 52 | MC2018-18 | CP2018-40 | November 13, 2017 | November 12, 2020 |
| Priority Mail & First-Class Package | Contract 65 | MC2018-61 | CP2018-101 | January 2, 2018 | January 1, 2019 |

RESPONSE:

Data for Priority Mail Express & Priority Mail Contract 52 and Priority Mail & First-Class Package Service Contract 65 were included in USPS-FY18-NP27, Excel file “NSACostRevenueSummary_FY18.xlsx,” tab “NSA2018-DomesticCP-Summary” on rows 793 and 1,043, respectively. As shown in the updated table below, the remaining six contracts were terminated, and in some cases superseded, prior to FY 2018.

Termination notices will be filed with the Commission.

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| Contract Grouping | Contract | MC DOCKET | CP DOCKET | Implementation Date | Termination Date | Superseding Docket |
|---------------------------------------|-----------------|------------------|------------------|----------------------------|-------------------------|------------------------------------|
| First-Class Package Service (FCPS) | Contract 51 | MC2016-119 | CP2016-149 | April 21, 2016 | August 08, 2017 | CP2017-225 |
| | Contract 54 | MC2016-121 | CP2016-178 | June 07, 2016 | August 31, 2017 | CP2017-275 |
| Priority Mail Express | Contract 30 | MC2016-32 | CP2016-38 | December 23, 2015 | February 08, 2017 | |
| | Contract 34 | MC2016-93 | CP2016-118 | March 17, 2016 | September 16, 2017 | |
| | Contract 38 | MC2016-161 | CP2016-232 | July 11, 2016 | December 21, 2016 | CP2017-63 |
| Priority Mail Express & Priority Mail | Contract 22 | MC2016-20 | CP2016-26 | December 09, 2015 | April 20, 2017 | CP2017-153 & PMNPR-FY17-APR17-0297 |
| | Contract 52 | MC2018-18 | CP2018-40 | November 13, 2017 | November 12, 2020 | |
| Priority Mail & First-Class Package | Contract 65 | MC2018-61 | CP2018-101 | January 02, 2018 | July 10, 2018 | |

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- 18.** 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 did not provide third-party service performance results for Inbound EMS 2 or any amounts of forfeited revenue, if applicable. If confirmed, please provide:
 - i. The Postal Service’s EMS Cooperative report card for Quarter 4 of CY 2017 and its report cards for the first three quarters of CY 2018; and
 - ii. The amount of any forfeited revenue in Quarter 4 of CY 2017 and in Quarters 1-3 of CY 2018, if applicable, and an explanation of how these amounts are calculated.
 - b. Please confirm that the Postal Service did not provide third-party service performance results for Inbound Parcel Post or any amounts of forfeited revenue, if applicable. If confirmed, please provide:
 - i. The Postal Service’s Universal Postal Union service performance results for Inbound Parcel Post for July through December 2017, January through June 2018, and July through December 2018;⁹ and
 - ii. The amount of any forfeited revenue during these periods, if applicable, and an explanation of how these amounts are calculated.

RESPONSE:

Please see the response provided under seal in USPS-FY18-NP34.

⁹ If July through December 2018 results are not yet available, please so indicate and provide the results once they become available.

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- 19.** Please refer to the FY 2018 ACR at 69-70. The Postal Service states that “[t]he costs reported in the ICRA for the small residual portions of IPA that constitute the IPA product (non-NSA IPA) are obtained by calculating the costs for negotiated service agreements, along with drop ship cost savings, and then deducting those costs from total IPA costs.” FY 2018 ACR at 69-70. Please confirm that volume and revenue for non-NSA IPA are similarly calculated. If not confirmed, please explain how volume and revenue for non-NSA IPA are calculated.

RESPONSE:

Confirmed.

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- 20.** For NSA IPA, non-NSA IPA, and total IPA mail, please provide the total number of In-Office Cost System (IOCS) tallies, the coefficient of variation for the IOCS-based cost estimate, and the 95 percent confidence interval for the cost coverage.

RESPONSE:

There were 102 IOCS tallies for IPA mail in FY2018. The number of IOCS tallies that are specifically NSA or non-NSA is unknown because data collectors cannot identify which mailpieces are part of an NSA and which are not.

The IOCS-based coefficient of variation for IPA is provided in USPS-FY18-NP9, workbook "ICRA PRC Results FY18.xlsx", sheet Summary, row 18. The 95 percent confidence interval for the cost coverage is between 3 percentage points below to 3 percentage points above the IPA point estimate reflected in the ICRA (USPS-FY18-NP2).