

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2018

Docket No. ACR2018

CHAIRMAN'S INFORMATION REQUEST NO. 6

(Issued February 1, 2019)

To clarify the basis of information provided by the Postal Service in its FY 2018 Annual Compliance Report (ACR), filed December 28, 2018,<sup>1</sup> 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 February 8, 2019.

**Service Performance**

1. Please refer to the response to Chairman's Information Request No. 1,<sup>2</sup> question 25c., Excel file "ChIR.1.Multiple.Responses.xlsx," tab "Q25c - AADC Delay Surface PI." Please provide results attributed to surface transit automated area distribution center/area distribution center processing delays for each fiscal quarter of FY 2015 through FY 2016.
2. Please provide the impact on service performance scores for First-Class Mail Single-Piece Letters/Postcards attributed to mailpieces classified as origin missent for FY 2015 Quarter 1 and Quarter 2. Please present results for each service standard (2-Day versus 3-5-Day) separately.

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

<sup>2</sup> Responses of the United States Postal Service to Questions 1-15, 17-50 of Chairman's Information Request No. 1, January 11, 2019 (Response to CHIR No. 1).

3. Please explain how the results provided in the Response to CHIR No. 1, question 20, Excel file "ChIR.1.Multiple.Responses.xlsx," tab "Q20 – PFCM" were calculated.
4. Please explain how the results provided in the Response to CHIR No. 1, question 33, Excel file "ChIR.1.Multiple.Responses.xlsx," tab "Q33\_MKT" were calculated.
5. Please refer to the Response to CHIR No. 1, question 50, and Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-8 of Chairman's Information Request No. 11, February 7, 2018, question 8. Please explain the reason(s) why both the percentage of mail in measurement and the percentage of Full-Service Intelligent Mail barcode mail excluded from measurement increased from FY 2017 to FY 2018 for USPS Marketing Mail Carrier Route.

### Commission Flats Directives

6. The table below shows unit mail processing costs for select flat-shaped classes and products.<sup>3</sup>

Class/Product	FY 2017	FY 2018	Change
USPS Marketing Mail Flats	\$0.279	\$0.311	11.3%
USPS Marketing Mail Carrier Route	\$0.062	\$0.075	20.1%
First-Class Mail Flats	\$0.595	\$0.642	7.9%
Periodicals	\$0.187	\$0.185	-1.2%

From FY 2017 to FY 2018, unit mail processing costs for USPS Marketing Mail Flats increased from \$0.279 to \$0.311 (an 11.3 percent increase), and unit mail processing costs for USPS Marketing Mail Carrier Route increased from

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<sup>3</sup> Response to CHIR No. 1, Excel File "ChIR.1.Q13.Flat\_Shaped\_Mail.xlsx," January 11, 2019.

\$0.062 to \$0.075 (a 20.1 percent increase). In contrast, unit mail processing costs for Periodicals decreased from \$0.187 to \$0.185 (a 1.2 percent decrease). Please explain the change in USPS Marketing Mail Flats and Carrier Route unit mail processing costs. In addition, please explain the decreasing unit mail processing costs for Periodicals compared to the increasing unit mail processing costs for other flat-shaped mail. Please provide all supporting workpapers.

7. The table below shows unit delivery costs for select flat-shaped classes and products. *Id.*

Class/Product	FY 2017	FY 2018	Change
USPS Marketing Mail Flats	\$0.192	\$0.216	12.2%
USPS Marketing Mail Carrier Route	\$0.133	\$0.150	12.7%
USPS Marketing Mail High Density and Saturation Flats and Parcels	\$0.092	\$0.098	6.3%
First-Class Mail Flats	\$0.226	\$0.239	5.7%
Periodicals	\$0.140	\$0.144	2.3%

From FY 2017 to FY 2018, unit delivery costs increased between 2.3 percent for Periodicals up to 12.7 percent for USPS Marketing Mail Carrier Route. Please explain the large unit delivery cost increases for USPS Marketing Mail products compared to Periodicals. Provide all supporting workpapers.

8. Please refer to the Postal Service's response to Chairman's Information Request No. 3, question 2.<sup>4</sup> Please provide the volume of mail finalized before the bins were added versus after the bins were added for each site where equipment was

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<sup>4</sup> Docket No. ACR2018, Responses of the United States Postal Service to Questions 1-20 of Chairman's Information Request No. 3, January 28, 2019 (Response to CHIR No. 3).

so modified. In addition, please compare the actual results for each site to the expected results.

9. Please refer to the Response to CHIR No. 3, question 3.a. Please explain if the Postal Service will be able to disaggregate the volume data by class, product, and shape of mail in FY 2019.
10. Please refer to the Response to CHIR No. 3, question 4. Please provide the analysis used to “gauge the operational impact of removing [Automated Flats Sorting Machine (AFSM)] AFSM 100 machines.” *Id.* question 4. Specifically, provide the productivity at facilities before and after removing the machines in FY 2016, FY 2017, and FY 2018. In addition, please compare the actual MODS productivity results at impacted facilities to the expected Management Operating Systems (MODS) productivity results from removing AFSM 100 machines.

### **Competitive International Products**

11. Please provide FY 2018 non-Negotiated Service Agreement (NSA) International Priority Airmail (IPA) volume and terminal dues for each price group as specified in the Mail Classification Schedule.
12. For NSA IPA, non-NSA IPA, and total IPA mail, please provide the number of Transportation Cost System (TRACS) observations for FY 2018 for each fiscal quarter.

13. Please complete the following table with the corresponding FY 2018 IPA volumes:

	NSA Volume			Non-NSA Volume		
	Direct Country Container	Mixed Country Container	Worldwide non-Presort	Direct Country Container	Mixed Country Container	Worldwide non-Presort
Full Service						
ISC Dropship						

14. Please reconcile the volume and revenue data reported in the following locations:

- a. Library Reference USPS–FY18–NP8, December 28, 2018, Excel file “USPS-FY18-NP8.xlsx,” tab “INTL FEES AND SERVICES,” cells D22 and E22;
- b. Library Reference USPS–FY18–NP28, December 28, 2018, Excel file “FY2018\_RPWextractfile\_eoy.xlsx,” tab “Summary Category RPW Data,” cells C288 and D288;
- c. Library Reference USPS–FY18–NP2, December 28, 2018, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (c),” cells D63 and L63.

15. Please reconcile the data reported in Library Reference USPS–FY18–NP8, Excel file “USPS-FY18-NP8.xlsx,” tab “INTL FEES AND SERVICES,” cell D31, with the data reported in USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (c),” cell L72.

16. Please provide an updated FY 2018 version of Excel file “ChIR1 Q12 IMTS.xlsx,” filed in Docket No. ACR2017, Library Reference USPS–FY17–NP31, January 12, 2018.

**Market Dominant International Products**

17. The Postal Service states, “[f]or terminal dues exchanges with a per-item component, the applicable per-kilogram rate is multiplied by the dispatch weight in kilograms to determine the per-kilogram revenue. Per-item revenue is established by subtracting the per-kilogram revenue from total revenue.”<sup>5</sup>
  - a. Please define the term “exchanges.”
  - b. Please explain why the Postal Service calculates per-kilogram revenue directly but calculates per-item revenue as the residual of total revenue and per-kilogram revenue.
18. The Postal Service provides an example of how the final item format revenue for a dispatch of Inbound Letter Post was determined.<sup>6</sup> Please define the term “dispatch” and reconcile this term with the term “exchanges” discussed in question 1a. above.
19. Please confirm that the revenue distribution methodology described in Response to CHIR No. 1, question 4 and in Non-Public Response to CHIR No. 1 at 2-6 is not applied to the FY 2017 data in Library Reference USPS–FY18–NP9, December 28, 2018, Excel file “IB LP Shape by UPU Group FY18.xlsx.” If confirmed, please update the FY 2017 data in Excel file “IB LP Shape by UPU Group FY18.xlsx” using this revenue distribution methodology.
20. Please provide Quality Link Measurement System results and the amount of forfeited revenue for January 2018 through October 2018 by country and shape. If these data are unavailable, please describe the obstacles to developing these data.

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<sup>5</sup> Responses to CHIR No. 1, question 4.

<sup>6</sup> See Library Reference USPS–FY18–NP32, January 11, 2019, PDF file “USPS-FY18-NP32.Preface.pdf,” at 4-6 (Non-Public Response to CHIR No. 1).

21. Please reconcile the volume and revenue data reported in the following locations: Library Reference USPS–FY18–4, December 28, 2018, folder “Other MD BDs,” Excel file “FY18 Special Services Final.xlsx,” tab “L-1 Int’l Special Services,” cells G15 and G41; Library Reference USPS–FY18–NP28, December 28, 2018, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Summary Category RPW Data,” cells C42 and D42; and Library Reference USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (md),” cells D61 and L61.
22. Please reconcile the data reported in Library Reference USPS–FY18–41, December 28, 2018, Excel file “FY2018BD\_FCMI\_PRC.xlsx,” tab “FCMI VOLUME,” cells L17 and L44 (summed), with the data reported in Library Reference USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (md),” cell L21.
23. Please reconcile the data reported in Library Reference USPS–FY18–41, December 28, 2018, Excel file “FY2018BD\_FCMI\_PRC.xlsx,” tab “FCMI VOLUME,” cell L8, with the data reported in Library Reference USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (md),” cell L26.

### **Management Operating System (MODS)**

24. In the Postal Service’s response describing its planned FY 2018 efforts to improve the efficiency of manual processing operations, it explained that prior to FY 2018, new employees base workhours were automatically assigned (by default) to active operation numbers in which they may not have been actually working.<sup>7</sup> As a result, it states that “the workhours were distorted.” Docket No. ACR2017, Response to CHIR No. 21, question 2a. In FY 2018, the Postal Service states that it planned on assigning new employees workhours to certain

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<sup>7</sup> See Docket No. ACR2017, Responses of the United States Postal Service to Questions 1-16 of Chairman’s Information Request No. 21, March 5, 2018, question 2a. (Docket No. ACR2017, Response to CHIR No. 21).

MODS operation default numbers that supervisors could monitor to ensure accurate assignment of base operation numbers. *Id.*

- a. Please specify, by MODS operation code number, which manual processing workhours the Postal Service believes were distorted prior to FY 2018.
  - b. Please quantify, if possible, the extent to which the workhours in each of the operation numbers provided in the response to question 1a. above were distorted in FY 2017 as compared to FY 2018. For each increase or decrease above 5 percent in the FY 2018 workhours, please explain the reason(s).
  - c. Please specify, by MODS operation code number, the default operation code(s) assigned to new employees in FY 2018.
  - d. Please show the total FY 2017 and FY 2018 workhours, by operation code number, for the default operation codes provided in the response to question 1c. above. For each increase or decrease above 5 percent in the FY 2018 workhours, please explain the reason(s).
25. The Postal Service provided FY 2018 workhours by Labor Distribution Code (LDC) in Library Reference USPS–FY18–7.<sup>8</sup> Please provide any FY 2018 and FY 2019 updates to the LDCs’ described activities, any other updates to the LDC list, and the activity descriptions for any new LDCs added to the complete list of the LDC matrix of the National Workhour Reporting System the Postal Service provided in Docket No. R2006-1<sup>9</sup> and in Docket No. ACR2017.<sup>10</sup>

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<sup>8</sup> See Library Reference USPS–FY18–7, folder “USPS-FY18-7 Excel Workbooks,” Excel file “LDC.Workhours.FY18.xlsx,” December 28, 2018.

<sup>9</sup> See Docket No. R2006-1, Library Reference LR–L–55, folder “LR-L-55 electronic version (.doc & .excel),” subfolder “lr-l-55 part1,” PDF file “\_Labor Distribution Codes.pdf,” May 3, 2006.



26. In Docket No. ACR2017, Response to CHIR No. 21, the Postal Service provided updated Handbooks F-65 (Data Collection User's Guide for Cost Systems), F-75 (Data Collection User's Guide for Revenue, Volume, and Performance Measurement System), F-85 (Data Collection User's Guide for International Revenue, Volume, and Performance Measurement System), F-95 (Statistical Programs Management Guide), and policy updates for Handbook F-45 (Data Collection User's Guide for In-Office Cost System).<sup>11</sup>
- a. Please provide any FY 2018 updated F-45, F-65, F-75, F-85, and F-95 Handbooks.
  - b. Please provide any additional FY 2018 policy changes or updates to the F-45, F-65, F-75, F-85 and F-95 Handbooks.

**Cost Ascertainment Group (CAG) K and L Offices**

27. Please provide the current number of CAG K and L Post Office Boxes.

**In-Office Cost System (IOCS)**

28. Please refer to Docket No. ACR2017, Response to CHIR No. 21, question 14.
- a. Please provide the same table updated for FY 2018.
  - b. Please provide the number of full-time city carriers by office CAG group for FY 2018.
  - c. Please provide the number of part-time and transitional city carriers by office CAG group for FY 2018.

By the Chairman.

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<sup>10</sup> See Docket No. ACR2017, Response to CHIR No. 21, question 5; Docket No. ACR2017, Library Reference USPS-FY17-46, folder "ChIR 21.Q.5.LDCs," PDF files "Handbook F-2, Appendix A LDCs.pdf," and "CDC 16 Guidelines.pdf," March 5, 2018.

<sup>11</sup> See Docket No. ACR2017, Library Reference USPS-FY17-46, folder "ChIR 21.Q.6.SP Ltrrs," folders "Handbooks," and "SP Letters," March 5, 2018.

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