

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

Annual Compliance Report, 2018

Docket No. ACR2018

CHAIRMAN'S INFORMATION REQUEST NO. 11

(Issued February 8, 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 15, 2019.

**Commission Flats Directive**

1. Please refer to the response to Chairman's Information Request No. 1, question 16.<sup>2</sup>
  - a. Please explain when the "Headquarters Functional Review Team" will be created.
  - b. Please provide the objective(s) of the "Headquarters Functional Review Team."
  - c. Please provide a timeline of when the "Headquarters Functional Review Team" will complete its evaluation of Flats Sequencing System (FSS) operations.

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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> Response of the United States Postal Service to Question 16 of Chairman's Information Request No. 1, January 28, 2019.

- d. Please confirm that other than the intention to create a “Headquarters Functional Review Team,” the Postal Service has no plans to improve the metrics present on the FSS Scorecard in FY 2019. If not confirmed, please provide those plans.
  - e. Please confirm that the Postal Service plans to implement operational changes that result from the “Headquarters Functional Review Team” evaluation in FY 2019. If not confirmed, please explain when operational changes to improve the metrics present on the FSS Scorecard will be implemented.
2. Please refer to Library Reference USPS–FY18–7, folder “USPS-FY18-7 Excel Workbooks,” Excel file “USPS-FY18-7 part3.xlsx,” December 28, 2018 and Docket No. ACR2017, Library Reference USPS FY17–7, folder “USPS-FY17-7 Excel Workbooks and Data,” Excel file “USPS-FY17-7 part3.xlsx,” December 29, 2017.
- a. Please confirm that the total cost of manually processing flat-shaped mail (MODS 1&2, NONMODS, and NDC) in FY 2017 was \$344.6 million and \$416.1 million in FY 2018, a 20.8 percent increase.
    - i. If confirmed, please explain why manual processing for flat-shaped mail increased substantially in FY 2018.
    - ii. If not confirmed, please provide the following:
      - (1) The total cost of manual processing flat-shaped mail in FY 2017 and FY 2018, with supporting workpapers;
      - (2) The percentage change between FY 2017 and FY 2018; and
      - (3) A narrative that discusses the change in costs for manual processing of flat-shaped mail between FY 2017 and FY 2018.

- iii. Please explain how declining flat-shaped mail volume impacted total manual processing costs in FY 2018.
  - iv. Please provide the Postal Service's plan to reduce the cost of manually processing flat-shaped mail in FY 2019.
- b. Please confirm that the total cost of FSS processing for flat-shaped mail in FY 2017 was \$208.2 million and \$197.7 million in FY 2018, a 5 percent decrease.
- i. If confirmed, please explain why FSS processing costs for flat-shaped mail decreased in FY 2018 and how the impact of declining volume affected total FSS processing costs for flat-shaped mail.
  - ii. If not confirmed, please provide the following:
    - (1) The total cost of FSS processing for flat-shaped mail in FY 2017 and FY 2018, with supporting workpapers;
    - (2) The percentage change between FY 2017 and FY 2018; and
    - (3) A narrative that discusses the change in costs for FSS processing of flat-shaped mail between FY 2017 and FY 2018.

### **Competitive International Products**

- 3. Please provide an updated FY 2018 version of Excel file "Outbound\_PRC.xlsx," filed in Docket No. RM2018-9, Library Reference USPS-RM2018-9-NP2, July 19, 2018.
- 4. Please refer to the FY 2018 ACR at 72. The Postal Service states that "[t]he third GEPS 7 contract was recently extended to February 28, 2019, and nearly covered its attributable costs." *Id.* Please explain why this agreement was extended, and why the Postal Service expects this agreement to be compensatory.

5. Please refer to the FY 2018 ACR at 72-73. The Postal Service states that it “has identified some concerns regarding the accuracy of results reported for these six contracts with regard to whether they covered their costs, and is reviewing the available data concerning them to determine if any updates are appropriate.” *Id.* at 73. Please provide an update regarding the progress of this review.
6. Please refer to the Priority Mail International (PMI) upgrade program discussed in Library Reference USPS–FY18–NP9, December 28, 2018. Please confirm that when costs for PMI and Priority Mail Express International (PMEI) products are developed, the upgraded pieces are costed as PMEI pieces. If not confirmed, please explain why these pieces are costed as PMI pieces when they receive PMEI service.

### **Service Performance**

7. Please refer to the response to Chairman’s Information Request No. 1,<sup>3</sup> question 20, Excel file “ChIR.1.Multiple.Responses.xlsx,” tab “Q20 – PFCM.”
  - a. Please confirm that these data refer to the amount (number of percentage points) by which on-time performance decreased due to each specific root cause of failure.
  - b. If part a. of this question is not confirmed, please explain.
  - c. Please provide definitions and the hierarchy for assignment and assessment for the full set of root causes for First-Class Mail Presorted Letters/Postcards, including each type of “Root Cause” appearing in tab “Q20 – PFCM,” column B.
8. Please refer to the Response to CHIR No. 1, question 33, Excel file “ChIR.1.Multiple.Responses.xlsx,” tab “Q33\_MKT.”

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<sup>3</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).

- a. Please confirm that these data refer to the amount (number of percentage points) by which on-time performance decreased due to each specific root cause of failure.
  - b. If part a. of this question is not confirmed, please explain.
  - c. Please provide definitions and the hierarchy for assignment and assessment for the full set of root causes for USPS Marketing Mail, including each type of "Root Cause" appearing in tab "Q33\_MKT," column B.
  - d. Please identify which USPS Marketing Mail products are included in these data.
9. Please refer to the Response to CHIR No. 1, question 30, Excel file "ChIR.1.Multiple.Responses.xlsx," tabs "Q30 Two-Day" and "Q30 Three-to-Five-Day." These data are labeled "Point Impact of Two-Day First-Class Mail Single-Piece Letters/Postcards that have a Collection Delay" and "Point Impact of Three-to-Five-Day First-Class Mail Single-Piece Letters/Postcards that have a Collection Delay," respectively. These data are presented as percentages.
  - a. Please confirm that these data refer to the amount (number of percentage points) by which on-time performance decreased due to each specific root cause of failure.
  - b. If not confirmed, please explain.
10. Please refer to the Response to CHIR No. 1, question 29, Excel file "ChIR.1.Multiple.Responses.xlsx", tabs "Q29 Two-Day" and "Q29 Three-to-Five-Day." These data are labeled "Point Impact of Two-Day First-Class Mail Single-Piece Letters/Postcards that Already Missed Service Standard by Last Processing Operation" and "Point Impact of Three-to-Five-Day First-Class Mail Single-Piece Letters/Postcards that Already Missed Service Standard by Last Processing Operation," respectively. These data are presented as percentages.

- a. Please confirm that these data refer to the amount (number of percentage points) by which on-time performance decreased due to each specific root cause of failure.
- b. If not confirmed, please explain.

By the Chairman.

Robert G. Taub