

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 1-28 OF CHAIRMAN'S INFORMATION REQUEST NO. 6

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 6, issued on February 1, 2019. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

1. Please refer to the response to Chairman's Information Request No. 1,<sup>1</sup> question 25c., Excel file "ChIR.1.Multiple.Responses.xlsx," tab "Q25c - AADC Delay Surface Pl." 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.

**RESPONSE:**

**Point Impact of Surface Transportation First-Class Mail Single-Piece Letters/Postcards with AADC/ADC Processing Delay**

<b>Quarter</b>	<b>Root Cause</b>	<b>Shape</b>	<b>Service Standard</b>	<b>Point Impact</b>
FY15 Q1	AADC/ADC Processing Delay	Letter/Card	3 to 5	6.36
FY15 Q2	AADC/ADC Processing Delay	Letter/Card	3 to 5	17.37
FY15 Q3	AADC/ADC Processing Delay	Letter/Card	3 to 5	8.75
FY15 Q4	AADC/ADC Processing Delay	Letter/Card	3 to 5	7.36
FY16 Q1	AADC/ADC Processing Delay	Letter/Card	3 to 5	8.88
FY16 Q2	AADC/ADC Processing Delay	Letter/Card	3 to 5	7.83
FY16 Q3	AADC/ADC Processing Delay	Letter/Card	3 to 5	3.74
FY16 Q4	AADC/ADC Processing Delay	Letter/Card	3 to 5	3.41

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<sup>1</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).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

**Point Impact of First-Class Mail Single-Piece Letters/Postcards with Origin Missent**

<b>Quarter</b>	<b>Root Cause</b>	<b>Shape</b>	<b>Service Standard</b>	<b>Point Impact</b>
FY15 Q1	Origin Missent	Letter/Card	1	0.13
FY15 Q1	Origin Missent	Letter/Card	2	0.35
FY15 Q1	Origin Missent	Letter/Card	3 to 5	0.66
FY15 Q2	Origin Missent	Letter/Card	1	0.57
FY15 Q2	Origin Missent	Letter/Card	2	0.3
FY15 Q2	Origin Missent	Letter/Card	3 to 5	1.05

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

The point impacts were pulled from the Presort First-Class Mail Root Cause Failure Analysis and were calculated as:  $(1 - \text{Unweighted Score}) * \text{Root Cause Category Failure Percentage} = \text{Root Cause Category Point Impact}$ .

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

The point impacts were pulled from the Presort Marketing Mail Root Cause Failure

Analysis and were calculated as:  $(1 - \text{Unweighted Score}) * \text{Root Cause Category Failure}$

Percentage = Root Cause Category Point Impact.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

Both the "Percentage of Mail in Measurement" and the "Percentage of Mail Processed as Full-Service IMb but excluded from measurement" increased from FY17 to FY18 for the USPS Marketing Mail Carrier Route product because the "Percentage of Mail Processed as Full-Service IMb but excluded from measurement" metrics were calculated based on different numbers of quarters for FY17 compared to FY18. As the Postal Service explained in the Response to Question 8 of ChIR No. 11 (filed in Docket No. ACR2017 on February 7, 2018), the "Percentage of Mail Processed as Full-Service IMb but excluded from measurement" for FY17 was based on the data only from FY17 Quarters 2, 3, and 4, because the Total Number of Full-Service IMb Pieces was unavailable at the product level for Marketing Mail in FY17 Quarter 1. The "Percentage of Mail Processed as Full-Service IMb but excluded from measurement" for FY18 was based on the data from all four quarters. On the other hand, the "Percentage of Mail in Measurement" was based on all four quarters for both FY17 and FY18.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

6. The table below shows unit mail processing costs for select flat-shaped classes and products.<sup>2</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 \$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.

**RESPONSE:**

As the Postal Service noted in its response to ChIR No. 3, Question 5, and in the Annual Compliance Report, the Postal Service believes classification changes are largely responsible for increases in unit costs for flat-shape USPS Marketing Mail products, including Flats, Carrier Route flats, and High Density flats. Because the classification change occurred in January 2017, FY2017-FY2018 cost comparisons continue to be affected by the changes. The reclassified mail would have unit costs

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<sup>2</sup> Response to CHIR No. 1, Excel File "ChIR.1.Q13.Flat\_Shaped\_Mail.xlsx," January 11, 2019.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

similar to FSS (5-digit scheme) Flats, which is markedly higher than the unit costs for other Carrier Route and High Density flats, but below average for non-Carrier Route flats. The effect would be that all three products' unit costs would rise, though their composite would be relatively less affected. Additionally, migration of Flats and Carrier Route flats to High Density likely affects the comparison. FY2018 ACR at 17. It is also reasonable to expect mail at the margins of migrating to products with stricter preparation requirements would be relatively low-cost mail from the products from which it migrated.

The table below shows unit mail processing costs for USPS Marketing Mail Flats including High Density flats and the total of the three products. The unit cost increase for High Density is even more pronounced than for Carrier Route, though the unit cost remains lower. The unit cost change for the composite of USPS Marketing Mail non-saturation flats, 6.2 percent, is considerably lower than that for any of the constituent products. All market dominant flat-shape products (including First-Class Flats, Periodicals, Bound Printed Matter Flats, and Media Mail Flats) saw a 4.8 percent increase in the composite unit mail processing cost. See the workbook associated with this response, CHIR.6.Q.6.Flats.FY17-18.xlsx, provided as a part of USPS-FY18-45.



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

Non-Saturation Flat-Shape USPS Marketing Mail Unit Mail Processing Costs, FY2017-FY2018

Product	Unit Cost (\$/Piece)		% Change
	FY2017	FY2018	
USPS MM HD Flats	0.027	0.037	39.3%
USPS MM CR Flats	0.060	0.074	22.5%
USPS MM Non-CR Flats	0.279	0.311	11.3%
Composite Non-Saturation Flat-Shape USPS MM	0.130	0.138	6.2%

A management challenge with persistently declining volumes is to continually reduce resource usage in line with ongoing declines in workloads. Between FY 2017 and FY 2018, non-saturation USPS Marketing Mail flats volume declined 5.9 percent, while mail processing volume-variable cost declined only 0.1 percent. For all market dominant flats, volume declined 5.7 percent, while cost declined 1.2 percent. Some of the gap between the volume and cost declines is due to a 2.7 percent increase in the mail processing wage rate, so the alignment between costs and volumes was somewhat closer taking the wage change into account for both flat-shape USPS Marketing Mail and market dominant flats as a whole. Postal Service labor and other cost inflexibility in the short term may tend to lead to divergences between volumes and costs that may require adjustments over several years.

The unit cost reduction for Periodicals, while welcome, is not statistically significant, noting that the unit cost change is smaller than the coefficient of variation for the FY 2018 mail processing labor cost estimate of 2.25 percent. Nevertheless, some factors would have tended to improve unit mail processing costs for Periodicals. As described

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

in USPS-FY18-44, the Postal Service implemented pricing incentives to encourage the production of Periodicals CRRTS pallets. Production of these pallets enables mail on these pallets to bypass bundle sortation at the plant and be cross-docked directly to delivery units. This pricing effort was successful in that the proportion of Periodicals mail entered on 5-Digit/CRRTS/FSS-Scheme pallets increased from 15.8 percent in FY 2017 to 16.4 percent in FY 2018. Periodicals weight per piece declined 3.7 percent from FY 2017 to FY 2018. Finally, the Periodicals product mix shifted towards lower-cost Within County Periodicals, for which volume declined only 1.2 percent, compared to a 6.3 percent decline in Outside County Periodicals.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

The question asks for an explanation for the disparate percentage increases in unit delivery costs in FY 2018 compared with FY 2017 between several flats categories. In general, when examining changes in delivery costs, the following seven factors need to be analyzed: 1) proportion of volume that is delivered by city and rural carriers; 2) type of carrier, rural or city, route where the mail is delivered; 3) proportion of volume that needs to be sequenced by the carrier prior to delivery; 4) proportion of volume that is in walk sequence that requires sequencing by the carrier; 5) proportion of volume that is processed by the Flats Sequencing System (FSS) equipment; 6) proportion of volume that is not processed by FSS, but does not need to be sequenced in the office

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

(e.g., some high density or saturation mailings); and 7) changes in carrier wages.

Before embarking on the explanations requested, it is important to understand why these seven factors are important when attempting to explain changes in unit delivery costs.

Delivery costs are defined as the direct and indirect costs incurred by carriers caused by products. Delivery costs do include collection costs. Thus, the proportion of volume that is delivered by city or rural carriers is important because pieces that are delivered to post office boxes incur no or very little delivery costs (if they were collected by a carrier). For example, bill remittance results in a larger portion of First-Class Single Piece Letters being delivered to post office boxes than many other categories.

Assuming the piece is delivered by a city and rural carrier, the type of route it is delivered on is another important component of delivery costs. City and rural carriers are compensated in different fashion, and also work under different sets of rules. In general, city carriers are paid hourly and are eligible for overtime, while most rural carriers are paid based on an evaluation system that assigns time credits for different activities performed. For example, rural carriers are paid different amounts for random flats and FSS flats. Also, the hourly rates are materially different for the two types of carriers. In FY 2018, the hourly wage rate for city carriers was \$41.31 or 12.5 percent higher than the corresponding hourly wage rate for rural carriers. Thus, mail mix shifts between city and rural routes is a relevant factor that needs to be considered when explaining changes in unit delivery costs.

## **RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

Typically, both city and rural carriers perform similar activities daily. They begin their day by reporting to the office (where most of their time is spent sequencing the mail that requires it) and then performing delivery activities on the street. This type of sequencing is often referred to as casing. Pieces that have to be cased generally incur higher delivery costs than those that do not need to be cased because of the extra handling required by the carrier. Thus, changes in the proportion of cased volume is another relevant factor in explaining changes in delivery costs.

Looking a little closer into cased volume reveals that not all cased volume likely incurs the same costs on city routes. Pieces that require casing which are already in walk sequence (e.g. carrier route) are likely to be cased at a faster rate than those pieces that require casing which are in random order. The casing rate is only relevant for city delivery costs, because rural carriers currently receive the same time credit for flats in walk sequence and random order.

Proportion of volume processed on FSS equipment is another relevant factor as those pieces generally bypass manual sequencing by carriers. The presence of an extra bundle has cost impacts for city carriers and rural carriers are compensated less for a FSS flat compared to a random flat. Thus, the proportion of volume processed on FSS equipment is another relevant factor in explaining changes in unit delivery costs.

Some pieces are not processed on FSS equipment, but do not need to be manually sequenced by carriers. This subset of volume is generally limited to products mailed at High Density and Saturation rates. Because the volume bypasses the manual sequencing, it generally incurs lower delivery costs. Thus, changes in the proportion of

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

volume that can avoid either FSS processing or manual sequencing is another relevant factor to be considered when explaining changes in unit delivery costs.

Lastly, changes in carrier wage rates also need to be considered when explaining changes in unit delivery costs. This is because, holding all else equal, unit delivery costs are likely to move in conjunction carrier wage rates.

These relevant factors should not be viewed in isolation, because several correlations exist between them. As noted earlier in this response, city and rural carriers work under different rules. For example, city carriers on walking routes (foot and park & loop) are restricted to three bundles. Thus, a city carrier who handles a walking route in a FSS zone already has three bundles daily, Delivery Point Sequence (DPS), FSS, and cased letters and flats. Therefore, on days where that carrier receives a saturation flat mailing that was dropped at the DDU, the carrier is required to either case the saturation mailing or collate the FSS bundle with the cased letters and flats. Whichever option is chosen, material delivery cost impacts exist.

Another reason it is important to explore the distinct components of delivery costs is that each flat product listed in the table is impacted differently by these factors. For example, no discount is offered for presorting First-Class Mail flats in walk sequence. Thus, those flats should be more costly to case than Carrier Route flats, which by definition are in walk sequence. The inherent differences in the characteristics of each flats in relation to the factors previously explained impacts the change in unit delivery costs. Consequently, it should not be expected that the percentage changes in unit delivery costs would be uniform across flat shaped products.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

For Marketing Mail flats, the unit delivery costs increased 2.4 cents or 12.2 percent in FY 2018 compared to FY 2017. City carrier unit costs increased by 1.71 cents and rural carrier costs increased by 0.64 cents in FY 2018 compared to the previous year. Consistent with RPW volume, both city and rural routes experienced volume declines in MM flats in FY 2018. Moreover, the proportion of MM flats that were processed on FSS equipment declined sharply on both city and rural routes. On city routes, roughly 19 percent of volume was processed on FSS equipment in FY 2018 compared to 29 percent the previous year. For rural routes, in FY 2018 11 percent of MM flat volume was processed on FSS equipment compared to 16 percent the previous year. As stated earlier, volume that is not processed on FSS equipment and needs manual casing incurs higher delivery costs. The shift in the proportion of MM flat volume processed on FSS equipment largely explains the increase in city in-office delivery costs and rural delivery costs.

For Carrier Route, the unit delivery costs increased by 1.7 cents or 12.7 percent in FY 2018 compared to FY 2017. City carrier unit delivery costs increased by 1.6 cents and rural carrier delivery costs increased only by 0.1 cents in FY 2018 compared to the previous year. Similar to MM flats, the proportion of volume that was processed on FSS equipment declined from 18 percent to 12 percent in FY 2018. Moreover, volume on city routes increased by 0.4 percent and declined on rural routes by 7 percent. The combination of the decline in the proportion of volume process on FSS equipment and the shift in volume to city routes, which is more expensive, resulted in the increase in

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

unit delivery costs on city routes, while the unit delivery costs on rural routes remained essentially unchanged.

For High Density and Saturation flats and parcels, the unit delivery costs increased by 0.6 cents or 6.3 percent in FY 2018 compared to FY 2017. City carrier unit delivery costs increased 0.4 cents and rural delivery costs increased 0.2 cent in FY 2018 compared with the previous year. Consistent with RPW, High Density and Saturation flats and parcels volumes increased on both city and rural routes in FY 2018 compared with the previous year. However, on both types of routes, the mail mix profile led to higher unit delivery costs. On city routes, a lower proportion of High Density and Saturation volume was taken directly to the street. In FY 2018, 65 percent of volume was taken directly to the street compared to 67 percent the previous year, hence bypassing material in-office handling. On rural routes, the proportion of volume that was unaddressed (compensation category 'Boxholder') declined in FY 2018 compared to the previous year. Rural carriers are compensated less for an unaddressed piece compared to an addressed flat. In FY 2018, 23 percent of High Density and Saturation flats and parcels were unaddressed, compared to 24 percent the previous year. The increased handlings, in conjunction with a 1.7 percent increase in carrier wages in FY 2018, likely explains the 0.6 cents increase in unit delivery costs experienced by High Density and Saturation flats and parcels in FY 2018.

For First-Class Mail flats, the unit delivery costs increased by 1.3 cents, or 5.7 percent in FY 2018 compared with FY 2017. City carrier unit costs increased by 1.9 cents and rural delivery costs decreased by 0.6 cents in FY 2018 compared to the



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

previous year. FSS processing is not an important driver of delivery costs for this category because only roughly 10 percent of First-Class Mail flat volume is processed on FSS equipment. First-Class Mail flats consists of two price categories, Single-Piece and Presort. Separate delivery costs for each price category were filed with the 2018 Annual Compliance Report in USPS-FY18-19. The information in folder 19 illustrates that the source of the delivery unit cost increase stems from an increase in city carrier in-office activities for First-Class Presort flats. In FY 2018, 29 percent of the delivered volume for First-Class Presort flats was done by city carriers, compared to 27 percent the previous year. The shift in volume, in conjunction with a 2.2 percent increase in city carrier wages, is the likely explanation for 5.7 percent increase in delivery costs.

For Periodicals, the unit costs increased by 0.4 cents, or 2.3 percent in FY 2018 compared to FY 2017. City delivery costs remained flat and rural delivery costs increased by 0.4 cents in FY 2018 compared to the previous year. City carrier costs remained constant because the proportion of volume that was already in walk sequence increased in FY 2018 compared to the previous year. In FY 2018, approximately 70 percent was entered in walk sequence compared with 68 percent the previous year. As was discussed earlier, walk sequence volume is generally cased more quickly and thus incurs lower in-office costs. The slight increase in rural carrier delivery costs is likely explained by the modest decline in volume on rural routes that was processed by FSS equipment. In FY 2018, 8 percent of Periodicals volume on rural routes was processed on FSS equipment compared to 9 percent the previous year. As was discussed earlier,

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

rural carriers are compensated less for FSS pieces than random flats that need to be sequenced.

A workbook associated with this response is provided as part of USPS-FY18-45.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

8. Please refer to the Postal Service's response to Chairman's Information Request No. 3, question 2.<sup>3</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 so modified. In addition, please compare the actual results for each site to the expected results.

**RESPONSE:**

The assembly and analysis of data required to provide an exact amount of mail finalized at these sites would be time and cost prohibitive. The most feasible alternative within the interval allowed for response is providing estimates for the additional volume finalized by adding bins to the APBS and the APPS at the multiple sites.

The Postal Service has calculated the approximate additional volume of mail finalized in FY 2018 after the bins were added on the APBS as 38.9M. The additional volume of mail finalized in FY 2018 after the bins were added on the APPS was approximately 15.6M.

While no specific expectations were developed, the general expectation was that adding extra bins would allow more mail to be finalized. The estimates provided above verify that these expectations were met.

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<sup>3</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).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

The Postal Service is currently able in FY 2019 to disaggregate the EPPS volume by class and shape using End-of-Run data. It is unable to disaggregate the volume data by product.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

The Postal Service began removing AFSM 100 (AFSM) machines in February of 2017; in FY 2017 and FY 2018, a total of 59 AFSMs were removed.<sup>4</sup>

The table below shows productivity as calculated by pieces fed divided by workhours for the sites where the 59 machines were removed. While no specific expectations were developed, we did not expect productivity to decrease.

	FY 2016	FY 2017	FY 2018
Total Pieces Fed	3,892,101,237	3,709,215,046	3,443,669,351
Total Workhours	1,811,844	1,901,608	1,937,522
Productivity	2,148	1,950	1,777

Source: MODS AFSM operations

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<sup>4</sup> The Postal Service incorrectly reported the number of machines removed in the FY 2017 and FY 2018 Annual Compliance Reports. Instead of removing 50 and 59 machines, respectively, the Postal Service removed a total of 59 machines across both fiscal years: Whereas 49 AFSMs were removed in FY 2017, 10 were removed in FY 2018.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

An Excel file associated with this response is submitted under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The materials associated with this response are filed under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

**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						

**RESPONSE:**

An Excel file associated with this response is submitted under seal in USPS-  
FY18-NP36.



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The materials associated with this response are filed under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The materials associated with this response are filed under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The Excel file associated with this response is provided under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

- a. The use of “exchanges” in the response refers to “letter-post mail streams from a given designated operator.”
- b. To clarify, the modification to separate the accounting lines into their item and weight components using this described approach only applies prior to February 2018. As of February 2018, the accounting lines separately maintain the components as they are created in the accounting system.

Prior to February 2018, the pricing tables in FPS did not separately store the terminal dues rates into their two per-item and per-kilogram components; therefore, the Postal Service calculates per-kilogram revenue directly but calculates per-item revenue as the residual of total revenue and per-kilogram revenue. As all inbound mail streams have a per-kilogram rate component, the terminal dues per kilogram was applied to determine the per-kilogram

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

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

revenue component. The remaining revenue would equal the per-item revenue component and avoid rounding issues.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

As indicated in the response to Question 17.a. of this Information Request, the use of “exchanges” in the response refers to letter-post mail streams. Letter-post mail streams are exchanged throughout the calendar year in dispatches, which consist of groups/batches of receptacles.

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<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).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

Not Confirmed.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The materials associated with this response are filed under seal in USPS-FY18-NP37.



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The materials associated with this response are filed under seal in USPS-FY18-NP36.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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.

**RESPONSE:**

With respect to the billing determinants, please see the updated version of the FCMI file provided in USPS-FY18-45 as ChIR.6.Q.22.23.FY2018BD\_FCMI\_PRC.xlsx. In the updated file, in the FCMI VOLUME tab, the volumes in the cells identified in the question now match the volumes shown in cells E100 and E104 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data.”

The amount shown in USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (md),” cell L21 is the amount from cell E100 plus cell E104 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data”, minus a trivial difference (745 pieces). That difference matches an exactly offsetting difference discussed in Question 23. The total of the amounts in Questions 22 and 23 is equal to the sum of cells E100, E102 and E104 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data.”

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

With respect to the billing determinants, please see the updated version of the FCMI file provided in USPS-FY18-45 as ChIR.6.Q.22.23.FY2018BD\_FCMI\_I\_PRC.xlsx. In the updated file, in the FCMI VOLUME tab, the volume in the cell identified in the question now matches the volume shown in cell E102 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data.”

The amount shown in USPS–FY18–NP2, folder “ICRA Core Files,” Excel file “Reports (Unified).xlsx,” tab “A Pages (md),” cell L26 is the amount from cell E102 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data”, plus a trivial difference (745 pieces). That difference matches an exactly offsetting difference discussed in Question 22. The total of the amounts in Questions 22 and 23 is equal to the sum of cells E100, E102 and E104 in USPS-FY18-NP28, Excel file “FY2018\_RPWextractfile\_EOY.xlsx,” tab “Rate Category RPW Data.”

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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 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).

**RESPONSE:**

- a. Prior to FY 2018, the default operation number for LDC 14, Manual Distribution, was 179. In FY 2018, operation number 284 was activated as the default operation number for LDC 14.

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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).

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

b.

LDC	OPN	FY 2017	FY 2018	Difference	% Diff
14	179	334,298	61,778	-272,521	-81.5%

Source: MODS

Prior to FY 2018, MODS Operation Number 179, MAN FLT CASE-BOX FINAL DIST, included the workhours for the actual mail processed as well as the employee default operation for employees with the base operation of LDC 14. If the employees with the base of 179 were working in an operation other than 179 and did not clock to that other operation, the workhours remained in operation 179.

c.

LDC	FY 18 Default OPN
LDC 11	281
LDC 12	282
LDC 13	283
LDC 14	284
LDC 15	285
LDC 16	286
LDC 17	287
LDC 18	288

Source: MODS

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- d. The table below provides the FY 2017 and FY 2018 workhours for the operations in FY 2018 that are used as LDC default operations. These operations were not valid in FY 2017, which accounts for the increases.

LDC	OPN	FY 2017	FY 2018	Difference	% Diff
11	281	0	40,639	40,639	100%
12	282	0	1,501	1,501	100%
13	283	0	2,212	2,212	100%
14	284	0	621	621	100%
15	285	0	41	41	100%
16	286	0	110	110	100%
17	287	0	1,120	1,120	100%
18	288	0	0	0	0%

Source: MODS

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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>

**RESPONSE:**

Although not noted in the question, the M-32 MODS Handbook was provided with the initial FY 2018 ACR filing as part of USPS-FY18-7. Updated Appendices A and B to that Handbook are now provided as part of the zip file in USPS-FY18-45. As noted in the footnote to the question, the LDC 16 Guidelines were provided last year on March 5, 2018, as part of USPS-FY17-46, and that is the most current version of the LDC 16 Guidelines.

As further information, LDC 16, Fixed Mech (Mechanization), was added to the Function 1, Operations - Mail Processing section in FY 2018. Prior to the addition of this LDC, Fixed Mech operations were mixed with Package Processing operations. With the addition of this LDC, the Postal Service is now able to separate Package

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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.

<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.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

Processing from Fixed Mech. As of the beginning of FY 2019 to date, there were no Function 1 LDC changes.



**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

The approved handbooks and policy changes for FY2018 are provided within the zip file in USPS-FY18-45.

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

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

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

**RESPONSE:**

The current number of installed Post Office Boxes is 2,205,461 for CAG K offices, and 476,102 for CAG L offices.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

- 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.

**RESPONSE:**

a.-c. The requested data are provided in the table below.

CAG	# of offices (universe)	# of offices with >0 sampleable employee	# of Timecard offices (not TACS clock rings)	# of Full Time city carriers, all offices	# of Part Time city carriers, all offices	# of Full Time city carriers in Timecard offices	# of Part Time city carriers in Timecard offices
A	2,837	2,574	745	45,513	11,573	6	2
B	1,186	1,119	111	26,011	6,550	0	0
C	1,568	1,524	123	40,345	10,149	1	0
D	881	877	59	18,550	4,922	1	1
E	1,638	1,638	70	19,971	5,822	6	5
F	2,204	2,204	228	8,941	3,398	40	31
G	3,200	3,200	955	3,079	2,165	134	127
H	3,916	3,916	2,163	635	790	72	101
J	4,832	4,832	3,038	62	111	10	17
K	8,986	8,986	6,245	2	7	0	2
L	3,984	3,984	3,778	0	0	0	0
Total	35,232	34,854	17,515	163,109	45,487	270	286