

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

Market-Dominant Price Change

Docket No. R2020-1

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued October 17, 2019)

To clarify the basis of information provided by the Postal Service in its Market Dominant Price Change, filed October 9, 2019,¹ the Postal Service is requested to provide written responses to the following questions. Answers to the questions should be provided no later than October 23, 2019.

USPS Marketing Mail

1. As required by the Commission in the FY 2010 Annual Compliance Determination,² please provide:
 - a. a schedule of future above-consumer price index price increases for USPS Marketing Mail Flats (Flats);
 - b. an explanation of how the proposed prices will move the Flats cost coverage toward 100 percent; and
 - c. a statement estimating the effect that the proposed prices will have in reducing the subsidy of the Flats product.

¹ United States Postal Service Notice of Market-Dominant Price Change, October 9, 2019 (Notice).

² See Docket No. ACR2010, Annual Compliance Determination Report, March 29, 2011, at 107 (FY 2010 ACD).

Inbound Letter Post

2. Please refer to Library Reference USPS-LR-R2020-1/NP1, October 9, 2019, Excel file "Inbound CAPCALC-R2020-1.xlsx."
 - a. Please refer to tab "Terminal Dues." Please confirm that all estimated prices for calendar year (CY) 2020 are identical to the terminal dues provided in Universal Postal Union (UPU) International Bureau (IB) Circular 113.³ If not confirmed, please provide revised financial workpapers as needed.
 - b. Please refer to tab "Terminal Dues." Please provide the annual tonnage thresholds for each country group in CY 2019 under which blended per kilogram prices are applied. Please provide the annual tonnage threshold for country group IV for CY 2019 and CY 2020 under which per kilogram prices apply or will apply.
 - c. Please refer to tab "FCMI Price Change," cell C27. Please confirm that the Postal Service did not calculate revenue for country groups I to III with blended prices for CY 2019. If confirmed, please explain why the Postal Service did not calculate such revenue. Please provide revised workpapers as needed.
 - d. Please refer to tab "FCMI Price Change," cell C27, and tab "Terminal Dues," cell C82. Please confirm that the Postal Service used the blended flat rate in cell C82 to calculate revenue from all group IV countries. If confirmed, please explain why this revenue is not included in cell C27.
 - e. Please refer to tab "Terminal Dues," cells A15 and A16. Please confirm that an annual tonnage threshold applies to country group I. If confirmed,

³ UPU IB Circular 113, July 1, 2019 (revised October 9, 2019).

please also confirm that the threshold in the referenced cells are correct. If not confirmed, please refile workpapers as needed.

- f. Please refer to tab "Terminal Dues," cells A15, A16, A39, A40, A41, A66, A67, and A68. Please confirm that the per kilogram blended prices will apply to countries with flows weighing less than the identified annual tonnage threshold in CY 2020 and not to flows weighing greater than the identified annual tonnage thresholds.
- g. Please refer to tab "Terminal Dues," cells D16, D40, and D67. Please identify the source of these prices.
- h. Please refer to tab "Terminal Dues," cell J9. Please reconcile the CY 2019 air conveyance rates provided in cell J9 and in UPU IB Circular 167.⁴
- i. Please refer to tab "Air Conveyance Revenue." Please confirm that the total adjusted weight in column Q does not include weight for E format items. If confirmed, please explain why E format weight was not included. Please file revised financial workpapers as needed.
- j. Please refer to tabs "IB PG Revenue Calculation" and "IB E Revenue Calculation." Please confirm that the Postal Service applied blended per kilogram rates for group IV countries with mail flows greater than the applicable annual tonnage threshold in CY 2019 and CY 2020. For example, please refer to tab "IB PG Revenue Calculation" cell G78 and tab "IB E Revenue Calculation" cell G78. If confirmed, please explain why the Postal Service did not apply per item and per kilogram rates to these mail flows. Please file revised financial workpapers as needed.

⁴ UPU IB Circular 167, November 19, 2018 (revised November 19, 2018).

- k. Please refer to tabs “IB PG Revenue Calculation,” “IB E Revenue Calculation,” and “IB Blended RC (Jan-June) <50.” For the group IV countries voluntarily applying the quality of service link to terminal dues in CY 2020 that are identified in UPU IB Circular 113, Tables IV.1, IV.2, and IV.3, please confirm that the Postal Service did not use the prices provided in Tables IV.4, IV.5, and IV.6. If confirmed, please explain why the Postal Service did not use these prices. Please file revised financial workpapers as needed.
- l. Please refer to tabs “IB BLENDED RC (Jan-Jun)<50” and “IB BLENDED RC (Jul-Dec).”
- i. Please confirm that the weight found in column G of each tab is calculated as one half of the fiscal year (FY) 2018 inbound E format weight plus total FY 2018 inbound P/G format weight.
 - ii. If part i. of this question is not confirmed, please explain how the weight in column G of each tab is calculated.
 - iii. If part i. of this question is confirmed, please refer to tab “IB BLENDED RC (Jan-Jun)<50,” column L. Please confirm that the weight in column G is used to determine whether blended flat rates will apply to flows from countries in groups I, II, and III below the annual weight threshold of 50 tonnes for the period January to June 2020. If confirmed, please explain why the 50-tonne threshold is applied to group I countries. Please also explain why the Postal Service used total annual P/G format weight plus half of annual E format weight to determine whether a country’s annual tonnage is below or above the applicable annual tonnage threshold. If not confirmed, please explain the values in column L.

- iv. If part i. of this question is confirmed, please also refer to tab "IB BLENDED RC (Jul-Dec)," column L. Please confirm that the values entered in column L are blended flat rates applicable for the period July to December 2020 to flows below 50 tonnes for group I countries and to flows below 25 tonnes, as well as between 25 and 50 tonnes, for group II and group III countries, and that they are based on the weight in column G. If confirmed, please explain the use of total annual P/G format weight plus half of the annual E format weight to determine whether a country's annual tonnage is within the applicable annual tonnage threshold range. If not confirmed, please explain the values in column L.
- m. Please refer to tab "IB PG Revenue Calculation," cells P14, P27, P43, P50, P68, P83, P96, P100, P104, P126, P127, P143, P150, P155, P157, P237. Please confirm that the values these cells represent the revenue from inbound P/G format items during CY 2020. If confirmed, please explain why these revenues are zero. If not confirmed, please explain the values in these cells.
- n. Please refer to tabs "IB PG Revenue Calculation," "IB BLENDED RC (Jan-Jun)<50," and "IB BLENDED RC (Jul-Dec)."
 - i. Please confirm that CY 2020 revenue from inbound format P/G items from country codes 856 and 936 in tab "IB PG Revenue Calculation," cells P154 and P217, respectively, are included in tab "FCMI Price Change," cell E23. If confirmed, please refer to part iv. of this question.
 - ii. Please confirm that the revenues from January through June 2020 for undifferentiated format items from country codes 856 and 936 found in tab "IB BLENDED RC (Jan-Jun)<50," cells P154 and

P217, respectively, are included in tab "FCMI Price Change," cell E27. If confirmed, please refer to part iv. of this question.

- iii. Please confirm that the revenues from July through December 2020 for undifferentiated format items from country codes 856 and 936 found tab "IB BLENDED RC (Jul-Dec)", cells P154 and P217, respectively, are included in tab "FCMI Price Change," cell E27. If confirmed, please refer to part iv. of this question.
- iv. If questions n.1. – n.3. are confirmed, please identify the amount of double counted CY 2020 revenue from country codes 856 and 936. Please file revised financial workpapers as needed.

By the Chairman.

Robert G. Taub