

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

MARKET-DOMINANT PRICE CHANGE

Docket No. R2020-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 6, QUESTIONS 1-4 AND 12-17**  
(October 25, 2019)

The Postal Service hereby responds to questions 1 to 4 and 12 to 17 of Chairman's Information Request No. 6, issued on October 21, 2019. Each question is stated verbatim and is followed by the response. Responses to questions 5 to 11 require coordination among multiple postal functions, and careful review of data, so they are still being prepared. Responses will be filed as soon as they are ready.

Respectfully submitted,  
UNITED STATES POSTAL SERVICE

By its attorneys:

Nabeel R. Cheema.  
Chief Counsel, Pricing & Product Support

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David H. Rubin

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1101  
(202) 268-2986, FAX: -6187  
David.H.Rubin@usps.gov

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**Inbound Letter Post**

1. Please refer to Library Reference USPS-LR-R2020-1/NP1,<sup>1</sup> Excel file "Inbound CAPCALC-R2020-1.xlsx," tab "Terminal Dues," cell D82. Please confirm that designated operators of countries in the transition system (group IV countries) must participate in the quality of service link to terminal dues effective January 1, 2020.<sup>2</sup> If confirmed, please explain why the Postal Service included the base terminal dues, not the provisional quality of service-linked terminal dues rate, in cell D82.<sup>3</sup> Please file revised financial workpapers as necessary.

**RESPONSE:**

Confirmed, subject to applicable floors for terminal dues rates as provided by Universal Postal Convention Article 30 and Convention Regulation Article 30-111, and subject to timely notice by eligible designated operators to the Universal Postal Union International Bureau (UPU IB) of exceptional treatment based on annual tonnage thresholds, as provided by the Universal Postal Convention and Convention Regulations Articles 30-109.3, 30-109.4, & 30-111.1 (see UPU IB Circular No. 113 (replacement Oct. 9, 2019) at page 33, Tables IV.1 & IV.2).<sup>4</sup> The original workpapers showed the base terminal dues rates, but the workpapers should also adjust rates for UPU quality of service link as applicable. See the revised workpapers being filed in this docket.

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<sup>1</sup> USPS Notice of Filing USPS-LR-R2020-1/NP1, October 9, 2019.

<sup>2</sup> See Universal Postal Convention, Article 30-111.1, Quality of service-linked terminal dues remuneration applicable to mail flows to, from and between designated operators of countries in the transition system. Universal Postal Union Convention Manual (2019) (revised June 2019), *available at*: [http://www.upu.int/uploads/tx\\_sbdownloader/actInThreeVolumesManualOfConventionMaj1En.pdf](http://www.upu.int/uploads/tx_sbdownloader/actInThreeVolumesManualOfConventionMaj1En.pdf).

<sup>3</sup> Universal Postal Union International Bureau Circular 113, July 1, 2019 (revised October 9, 2019).

<sup>4</sup> See *also* Second Additional Protocol to the Universal Postal Convention (adopting amendments to the Universal Postal Convention that will enter into force on January 1, 2020).

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**Special Services**

Please refer to Library Reference USPS-LR-R2020-1-5, October 9, 2019, Excel files "CAPCALC-SpecServ-R2020-1.xlsx" (CAPCALC) and "4Q18 to 3Q19 Special Services.xlsx" (Billing Determinants). For any responses that require a change to either the CAPCALC file or Billing Determinants file, please resubmit updated versions of those respective files.

2. Please refer to tab "G-3 Certificates of Mailing" in the CAPCALC file and the Billing Determinants file. Cell C43 in the CAPCALC file reports a volume of 15,959,790 (which is taken from cell G43 of the Billing Determinants file) while cell H15 of the CAPCALC file reports a volume of 10,294,940.
  - a. Please confirm these numbers are correct.
  - b. If confirmed, please further confirm that the explanation provided in Docket No. R2018-1 continues to be accurate.<sup>5</sup>
  - c. If items a., b., or both are not confirmed, please explain and file revised workpapers.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Not applicable.

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<sup>5</sup> Docket No. R2018-1, Response of the United States Postal Service to Questions 1-12 of Chairman's Information Request No. 2, question 3, October 20, 2017 (Docket No. R2018-1, Responses to CHIR No. 2).

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3. Please refer to tab "H-8 Customized Postage" in the CAPCALC file.<sup>6</sup>
  - a. Please confirm that the unit price for the product "Annual Participation Fee (Up to two printing facilities)" (cell C15 divided by cell C7) is \$325,000.00. If not confirmed, please explain.
  - b. If item a. is confirmed, please reconcile why this unit price is lower than the prices established in Docket No. R2018-1 (\$330,000.00) and Docket No. R2019-1 (\$340,000.00).

**RESPONSE:**

- a. Confirmed.
- b. As explained in the updated response to Docket No. ACR2018, ChIR No. 3, Question 1, filed February 28, 2019, Stamps.com made a payment of \$325,000 to the Postal Service, to cover the period from May, 2018 to May, 2019. Due to an oversight, the Docket No. R2013-11 rollback fee of \$325,000 was charged, rather than the prices established in the later dockets noted in the question. See Order No. 3186, Attachment, page 96 (March 29, 2016).

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<sup>6</sup> See *also* Docket No. R2018-1, Library Reference PRC-LR-R2018-1/5, Excel file "PRC-CAPCALC-SS-R2018-1.xlsx," tab "34. Customized Postage," November 9, 2017; Docket No. R2019-1, Library Reference PRC-LR-R2019-1/5, Excel file "PRC-CAPCALC-SpecServ-R2019-1.xlsx," tab "34. Customized Postage," November 13, 2018.

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4. Please refer to tab "K-12 ComputDelivSeq" in the CAPCALC file.
  - a. Cell B9 reports 315 transactions and cell F9 reports a volume of 228,095,575. Please confirm these numbers are correct.
  - b. If confirmed, please further confirm that the explanation provided in Docket No. R2018-1 continues to be accurate.<sup>7</sup>
  - c. If items a., b., or both are not confirmed, please explain and file revised workpapers.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. Not applicable.

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<sup>7</sup> Docket No. R2018-1, Responses to CHIR No. 2, question 5.

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12. Please refer to tab "J-1 Other Income" in the Billing Determinants file. Please provide the quarterly volumes for all three products on this tab or a satisfactory reason as to why they cannot be produced.

**RESPONSE:**

A supplementary Excel file is submitted along with these responses. Slight variations in revenue are due to the rate increase implemented in the middle of FY2019, Quarter 2.

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13. Please refer to tab "F-7 Restricted Delivery" of the CAPCALC file. The Postal Service included a note explaining the status of Restricted Delivery, the independent product that was eliminated in Docket No. R2015-4,<sup>8</sup> and why volume continues to exist that is difficult to specifically assign to another product. Please discuss, if possible, the Postal Service's forecast for when these volumes may be appropriately assigned. If not possible, please explain.

**RESPONSE:**

The Postal Service is planning to resolve this reporting issue in FY2020.

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<sup>8</sup> Docket No. R2015-4, Order on Price Adjustments for Special Services Products and Related Mail Classification Changes, March 10, 2015, at 12 (Order No. 2388).

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14. Please refer to the Notice where the Postal Service states “[t]he fee group shifts encompass 777,332 Post Office Box customers.”<sup>9</sup> Of these 777,332 customers, please fill in the table below indicating how many customers fall into each price increase category.

Price Increase (%)	Number of Customers Affected
0 - 4.99	
5.00 - 9.99	
10.00 - 14.99	
15.00 - 19.99	
20.00 - 24.99	
25.00 - 29.99	
30.00 - 34.99	
35.00 - 39.99	
40.00 +	
	Total 777,332

**RESPONSE:**

Price Increase (%)	Number of Customers Affected
0 - 4.99	0
5.00 - 9.99	0
10.00 - 14.99	210,008
15.00 - 19.99	226,140
20.00 - 24.99	262,121
25.00 - 29.99	75,142
30.00 - 34.99	2,678
35.00 - 39.99	1,025
40.00 +	218
Total	777,332

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<sup>9</sup> Notice at 34.

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15. Please refer to tab "F-15 SFS" of the CAPCALC file.
  - a. Please confirm that cell I11 for the product "International" has a "current price" of "\$5.50." If not confirmed, please explain.
  - b. Please refer to Docket No. R2019-1, Library Reference PRC-LR-R2019-1/5, Excel file "PRC-CAPCALC-SpecServ-R2019-1.xlsx," tab "21. SFS." Please confirm that cell J11 for the product "International" has a price of "\$5.25." This price was requested by the Postal Service and approved by the Commission. If not confirmed, please explain.
  - c. Please reconcile this discrepancy and explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.
- c. On tab "F-15 SFS" of the CAPCALC file, the price listed in cell I11 for "International" is incorrect. Revised workpapers will be filed next week to correct this.

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16. Please provide a detailed analysis of how a rate increase of 10 percent to Change-of-Address Customer Notification Letter Reprint is designed to help achieve the objectives listed in 39 U.S.C. § 3622(b) and properly takes into account the factors listed in 39 U.S.C. § 3622(c). In the response, please specifically explain the Postal Service's references to Objectives 1, 4, 5, and 8 and Factors 1, 7, 8, and 12. See Notice at 34.

**RESPONSE:**

The price for the Change-of-Address Customer Notification reprint is increasing by 10 percent, from \$50 to \$55. This product has not experienced a price increase since the original fee was implemented in Docket R2013-1, as discussed below with respect to Objective 5.

Objectives 1, 4, 5, and 8.

(1) This objective does not apply to the price increase for the Change-of-Address Customer Notification Letter Reprint. The objective was mentioned in the Notice with respect to other price changes identified on page 34 of the Notice.

(4) This price increase uses minimal cap authority, thereby retaining pricing flexibility for other Special Services.

(5) This price increase will generate an estimated \$135 in additional revenue.

This product has not experienced a price increase since the original fee was implemented in Docket No. R2013-1, which, when accounting for compounding, is an average annual increase of only 1.37 percent. The Postal Service does not believe that this price increase will have a significant impact on demand.

(8) This increase is within the pricing authority for the Special Services price cap, and allows for sufficient pricing flexibility for other Special Services.

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Factors 1, 7, 8, and 12.

(1) This price increase reflects the value of the service to the customers of this product.

(7) This factor does not apply to the price increase for the Change-of-Address Customer Notification Letter Reprint. The factor was mentioned in the Notice with respect to other price changes identified on page 34 of the Notice.

(8) This price increase reflects the value of the service to the customers of this product.

(12) This factor does not apply to the price increase for the Change-of-Address Customer Notification Letter Reprint. The factor was mentioned in the Notice with respect to other price changes identified on page 34 of the Notice.

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17. Please provide a detailed analysis of how rates increases between 12 percent and 41 percent for customers of Post Office Box Service are designed to help achieve the objectives listed in 39 U.S.C. § 3622(b) and properly take into account the factors listed in 39 U.S.C. § 3622(c). In the response, please specifically explain the Postal Service's references to Objectives 4, 5, and 8 and Factors 1, 3, 4, 6, 7, and 8. See Notice at 34.

**RESPONSE:**

Objectives 4, 5, and 8

(4) The Postal Service used pricing flexibility by realigning select fee groups such that locations where the occupancy rate was high or where the number of boxes has remained static or increased were moved up a fee group. This also allowed the Postal Service to not increase the prices of those locations where occupancy rates are low or the number of paid boxes has been decreasing. The ability to exercise business judgment in this manner was part of the impetus for the pricing flexibility provided for in the Postal Accountability and Enhancement Act.

(5) By using price change authority at Post Office Box locations where the volume of paid Post Office Boxes is constant or growing, the return on the cap is higher than when used on Post Office Box locations where volume is declining.

(8) The Postal Service is realigning the Post Office Box fee groups in an effort to ensure that Post Office Box locations are in the appropriate fee group and reflect the value they provide, so that the schedule for rates and classifications remains just and reasonable.

Factors 1, 3, 4, 6, 7, and 8

(1) Paid Post Office Box service is a discretionary service for customers that prefer to have their mail delivered to a location other than the primary delivery

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point where the Postal Service provides them delivery free of charge. There is therefore an inherent value to Post Office Box service, and the Postal Service believes that the realignment of the Post Office Box fee groups better recognizes the differing value the service provides based on location.

(3) Since Paid Post Office Box service is a discretionary service that customers choose to purchase, these customers already have a valid delivery point at which they could have their mail delivered at no charge. In the case of Market Dominant Post Office Box service, 75 percent of the volume will be congregated in 6 of the 35 price cells (size 1, fee groups 3 to 6, and size 2, fee groups 3 and 4) after the fee group reallocation. The highest price of those four groups is \$46 every 6 months, or a price of 30.4 cents per delivery day. The Postal Service believes this is a reasonable price for the value of service provided, and does not expect that the price increases for those locations that are being moved to a new fee group are likely to have a significant impact on demand.

(4) Paid Post Office Box service is a discretionary service for customers that prefer not to have mail delivered to another valid delivery point where delivery would be free of charge. Such customers therefore have an alternative means that is free.

(6) The pricing structure for Post Office Box service is not changing, and the Postal Service believes that the proposed realignment is necessary to maintain identifiable relationships between the prices charged for Post Office boxes in those locations that are being moved to a higher fee group.

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(7) While Post Office Box service pricing generally does not lead to increased mail volume, this application of pricing flexibility allows no price increase for many Post Offices, which can lead to increased use of Post Office Box service at those locations.

(8) In the case of Market Dominant Post Office Box service, 75 percent of the volume will be congregated in 6 of the 35 price cells (size 1, fee groups 3 to 6 and size 2, fee groups 3 and 4) after the fee group reallocation. The highest price of those four groups is \$46 every 6 months, or a price of 30.4 cents per delivery day. The Postal Service believes that this is a reasonable price for the value of service provided, and does not expect the price increases for those locations that are being moved to a new fee group are likely to have a significant impact on demand.