

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

ANNUAL COMPLIANCE REPORT, 2007

Docket No. ACR2007

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 2, 3, 4, 5, 6, AND 7 OF COMMISSION INFORMATION
REQUEST NO. 1
(February 4, 2008)

Commission Information Request No. 1 was posted on January 25, 2008. The request sought answers "as soon as they are developed." Attached are the Postal Service's responses to questions 2, 3, 4, 5, 6, and 7. Each response refers to materials which are being separately provided to the Commission as part of the non-public annex of materials relating to this proceeding. A separate notice regarding such materials is also being filed today. Responses to additional questions will be submitted as they are developed.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 4, 2008

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2. Please provide a breakout of the inbound FY 2007 IOCS-related costs for Canada, ICs, and DCs. Please note that the Postal Service was able to provide the attributable costs for these three categories during the preparation period for the Commission's last Report to Congress on International Mail. For reference, see U.S. Postal Service Response to Order Numbers 1457 (item 2), 1435 (item 2), 1401 (item 1) and 1403 (item 1).

RESPONSE:

The requested materials have been provided within USPS-FY07-NP12, submitted as part of the non-public annex of this proceeding.

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3. Please provide cost, revenue, and volume data for inbound surface parcel post (Foreign Origin Surface CP) from whatever source is available that segregates surface parcel post at UPU rates from surface parcel post at non-UPU rates.

RESPONSE:

The requested materials have been provided within USPS-FY07-NP12,
submitted as part of the non-public annex of this proceeding.

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4. Please refer to USPS-FY-07-NP2, Excel File "Inputs.xls," worksheet Special Service. Please identify the Revenues, Volume Variable Costs, Product Specific Costs, Settlement Costs, and Transactions that are market-dominant and competitive for the following international Special Services: (a) Outbound Money Orders, Registered Mail, Insured Mail, and "Other;" and, (b) Inbound Money Orders and Registered Mail. Also, please explain the make-up of the Special Service, Outbound "Other."

RESPONSE:

The requested materials have been provided within USPS-FY07-NP12, submitted as part of the non-public annex of this proceeding.

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5. Please refer to Table A-2, "2007 Revenue, Volume, and Costs – U.S. Origin Mail," found in USPS-FY07-NP2, Excel File "Reports.xls," worksheet "A – Pages" and Table A-2 in the FY 2006 ICRA Report. For FY 2006, Table A-2 lists the following U.S. Origin Mail international mail categories:

- Economy:
 - Letter Packages; Publishers; ISAL; and, CP.
- Air:
 - Letters & Letter Packages; Cards/Aero; IPA; GPM; Express; and, CP.

For FY 2007, Table A-2 lists the following U.S. Origin Mail international mail categories:

- First-Class Mail International:
 - Letters, Flats, IPPs and Parcels; and, International Cards.
 - International Expedited Services:
 - GXG; and, Express Mail International.
 - International Packages:
 - PMI Flat-Rate Envelopes; and, PMI Flat-Rate Boxes and Parcels.
 - IPA
 - ISAL
 - International Direct Sacks – M-Bags
- a. For Revenue, Volume Variable Cost, Contribution, Pieces, Net Pounds, and Gross Pounds, please provide a cross-walk showing the development of the FY 2007 U.S. Origin Mail international mail categories from the FY 2006 U.S. Origin Mail international mail categories.
 - b. Refer to Table C-1, "FY 2007 and FY 2006 Comparison of Revenue, Cost, & Contribution" for U.S. Origin Mail, found in USPS-FY07-NP2, Excel File "Reports.xls," worksheet "C – Pages." Please provide the pieces (volumes) associated with the FY 2006 "Revenue" for each of the U.S. Origin international mail categories listed. To the extent the volumes provided for each U.S. Origin international mail category do not sum to the FY 2006 Total Air and Economy volume for U.S. Origin mail presented in Table A-2 of the FY 2006 ICRA Report, please reconcile and explain the difference.
 - c. In Table C-1, please reconcile and explain the difference between the FY 2006 "Revenue" for Total US Origin and the FY 2006 Total Air and Economy Revenue presented in Table A-2 of the FY 2006 ICRA Report. Also, in Table C-1, please provide the correct FY 2006 "Revenue" for each of the U.S. Origin international mail categories listed.

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- d. In Table C-1, please reconcile and explain the difference between the FY 2006 "Volume Variable Cost" for Total US Origin and the FY 2006 "Total Air and Economy Volume Variable Cost" presented in Table A-2 of the FY 2006 ICRA Report. Also, in Table C-1, please provide the correct FY 2006 "Volume Variable Cost" for each of the U.S. Origin international mail categories.

RESPONSE:

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6. The following questions refer to Inputs.xls in Library Reference USPS-FY07-NP2.

- a. Please confirm that the terminal dues rates into the United States for CY1 are the final terminal dues rates released in January of 2007 by the International Bureau based on the 2006 quality of service link performance.
- b. Please confirm that the terminal dues rates into the United States for CY2 are the preliminary terminal dues rates released in July of 2007 by the International Bureau based on the 2006 not the 2007 quality of service link performance.
- c. Please provide the quality of service link performance achieved for 2007.
- d. Inward land rates for inbound air and surface parcel post consist of a base rate and bonuses for achievement of specified service performance. Please provide inbound rates for CY1 and CY2 broken out by the base rate and the bonus payment system rates. Please explain what bonuses were available under the applicable UPU parcels guidelines in FY 2007 and whether the Postal Service received those bonuses or not. For those bonuses not received, please explain why the Postal Service did not qualify for those bonuses.

RESPONSE:

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7. Please refer to the rows “Extra Services” for U.S. Origin and Foreign Origin Mail in the table “International Grand Total, 2007 Revenue, Volume, and Costs – U.S. Origin and Foreign Origin Mail,” found in USPS-FY07-NP2, Excel File “Reports.xls,” worksheet “A – Pages.”
- a. For U.S. Origin Extra Services, please reconcile the discrepancies between the Revenue and Pieces reported in the Excel File “Reports.xls,” and the “RPW Revenue” and “RPW Volume” reported in the table “FY 2007 – Int’l VVC Distributions, Outputs-PRC Version,” USPS-FY07-NP6, Excel File “ICRA07PRC.xls,” worksheet “Outputs.”
 - b. For Foreign Origin Extra Services, please reconcile the discrepancies between the Revenue and Pieces reported in the Excel File “Reports.xls,” and the “RPW Revenue” and “RPW Volume” reported in the table “FY 2007 – Int’l VVC Distributions, Outputs-PRC Version,” USPS-FY07-NP6, Excel File “ICRA07PRC.xls,” worksheet “Outputs.”
 - c. For U.S. Origin Extra Services, please reconcile the discrepancy between the Volume Variable Cost reported in the Excel File “Reports.xls,” and the “Total Attributable” cost reported in the table “Development of Cost by Segment and Component – Fiscal Year 2007 ICRA PRC Version,” USPS-FY07-NP3, Excel File “FY07IPRC.CRpt.xls,” worksheet “CSSummary.”

RESPONSE:

The requested materials have been provided within USPS-FY07-NP12, submitted as part of the non-public annex of this proceeding.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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