

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

Annual Compliance Report

Docket No. ACR2007

COMMISSION INFORMATION REQUEST NO. 3

(Issued February 12, 2008)

In order to clarify the basis of the Postal Service's estimates in its annual compliance report, filed December 28, 2007, the Commission requests the Postal Service to provide written responses to the following questions. Answers should be provided to individual questions as soon as they are developed.

1. The External First Class (EXFC) performance measurement results presented in the annual compliance report "for 2-day and 3-day service exclude a period during December when air transportation capacity is significantly reduced." United States Postal Service FY 2007 Annual Compliance Report (December 28, 2007) Page 16.
 - a. Please identify the days of exclusion.
 - b. Please provide the results without the exclusion of the December period.
 - c. Please provide the results for FY 2007 by quarter and by district office.
 - d. Please provide the EXFC variance results for FY 2007 by one, two and three days for overnight, 2-day and 3-day mail.

2. In USPS-FY07-7 part2.xls, the following IOCS codes in Table II-1, MODS 1&2 are treated as institutional:

- 6210: Platform Acceptance;
- 6230: Registry;
- 6240: Nixie;
- 6420: Carrier performing routine office work or going to vehicle;
- 6430: Checking In/Out Accountable Mail or Keys/Checking Vehicle/Safety Meeting;
- 6525: Waiting for mail or machine restart; and
- 6231-Xprs: Express Mail.

In contrast in a similar, corresponding table in R2006-1, LR-L-100 pt_2.xls, Table II a-mods-prc, the IOCS codes 6420 and 6231 Xprs are not included in the institutional cost calculation.

- a. Please explain the addition of the two cost codes, 6420 and 6231, in the 2007 presentation in comparison to the Docket No. R2006-1 presentation.
- b. Please explain what activities are being performed in association with each cost code. In particular, please explain the Nixie activities associated with mail processing.
- c. Of the total of \$543,072, 000 of institutional costs in the Table II-1 MODS 1&2 of USPS-FY07-7 Part2(7).xls, \$23,526,000 are associated with Express Mail (line 14 in the table). The Express Mail 6231 costs are spread across 19 of the MODS activities. Please explain briefly the nature of the Express Mail 6231 costs in each MODS activity.

- d. For Non-MODS Offices in Table II-2 NonMODS of USPS-FY07-7Part2(7).xls, activity 6231 was treated as institutional in 2007 but not in R2006-1, Table II-b nonmods-prc, R2006-1, LR-L-100pt_2xls. This affected one category, Non-MODS Express, dropping the variability from 1 to .7723. Please explain this change.
 - e. For BMCs, activities 6230 and 6240 were designated as attributable in Docket No. R2006-1 but institutional for FY 2007. Please explain the change of designation to institutional.
3. Please refer to USPS-LR-FY07-9, Excel file "USPS-FY07-9.xls." Please show all calculations used to derive the Total Contribution of \$211,445,000 for "Competitive International".
 4. Please refer to USPS-FY-07-NP2, Excel file "Reports.xls," worksheet A-Pages, Table A-1. Also, please refer to USPS-LR-FY07-5, FY 2007 CRA Model, Excel file "FY07.DRept.xls." For International Mail, please reconcile the amount of \$1,790,430,357 shown in the "Total Including Contingency" column of the D Report with the sum of the Grand Total for the Volume Variable and Product Specific cost columns in Table A-1.
 5. This question pertains to the quality of service link to terminal dues.
 - a. Please provide the preliminary quality of service link results for 2007 that were provided to the Postal Service by the International Post Corporation or its contractor, Research International.

- b. Is the Postal Service submitting queries to the System Administrator or the International Post Corporation and its contractor, Research International, on questionable test items and panelists? If yes, please identify the subject matter of those queries.
6. Please refer to the response of the Postal Service to Commission Information Request No. 1, Question 4, where it states:

[T]here are two phases to the Return Receipt service [related to cost allocation]. When the Return Receipt is affixed to a mailpiece, that is, prior to delivery, the cost of the mailpiece is attributed to the parent piece. Thus, if the parent piece is Registered Mail, the costs are attributed to Registered. After delivery, the return receipt card has been detached from the parent piece and it is traveling back to the original mailer, so it no longer has identification as competitive or market dominant. The volume variable costs shown for [Outbound] "Other" . . . are the volume variable costs associated with the return processing and delivery of the return receipt card to the original mailer.

- a. For Outbound Registered Mail, please explain why the "volume variable costs associated with the return processing and delivery of the return receipt card to the original mailer" are treated as an Outbound "Other" volume variable cost rather than an Inbound "Other" volume variable cost.
- b. For Return Receipt, please explain why "the return receipt card [that] has been detached from the parent piece" is not treated as competitive or market dominant based upon the classification of the "parent piece" as competitive or market dominant.

7. Please refer to the response of the Postal Service to Commission Information Request No. 1, Question 4, where it states, “Outbound ‘Other’ consists of Return Receipt and Restricted Delivery, and restricted delivery is only available for Registered Mail with a return receipt.”
 - a. Of the total Volume, Revenue, and Volume Variable Cost for Outbound “Other,” please provide the percentage of each that is associated with Return Receipt and the percentage of each that is associated with Restricted Delivery.
 - b. What percent of Restricted Delivery is associated with Registered Mail, and what percent is associated with other International Special Services?

Responses are due seven days from the date of this Request.

By the Commission.

Steven W. Williams
Secretary