

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 4-5 OF COMMISSION INFORMATION REQUEST NO. 3
(February 15, 2008)

Commission Information Request No. 3 was issued on February 12, 2008. The request sought answers "as soon as they are developed," or in seven days. Attached are the Postal Service's responses to questions 4-5 (as renumbered in a revised version issued on February 13). Responses to additional questions will be submitted as they are developed.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 15, 2008

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4. 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.

RESPONSE:

- a) All processing and delivery costs associated with Return Receipt are treated as Outbound in order to be aligned with the revenue collected by the Postal Service, which is also treated as Outbound.

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b) The costs associated with detached Return Receipt cards are not reported separately as Competitive or Market Dominant because parent piece information is not available on the Return Receipt cards. Note that 95 percent of Return Receipts purchased are associated with Market Dominant products.

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5. 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?

RESPONSE:

a) Of the total Volume for Outbound "Other", 99.7 percent is associated with Return Receipt and 0.3 percent with Restricted Delivery; of the total Revenue, 99.4 percent is associated with Return Receipt and 0.6 percent with Restricted Delivery. There were only three IOCS tallies for Outbound Other Extra Services in FY07. The sample size is considered too small for a statistically valid split between the Return Receipt and Restricted Delivery Volume Variable Cost.

b) For FY07, 98 percent of Restricted Delivery is associated with Registered Mail and 2 percent with other International Special Services. Prior to May 14, 2007, Restricted Delivery was available to Recorded Delivery and Registered Mail. After May 14, 2007, all Restricted Delivery is associated with Registered Mail because Recorded Delivery was discontinued.

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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