

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 1-2 OF COMMISSION INFORMATION REQUEST NO. 3
(February 19, 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 1-2 (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

By its attorneys:

R. Andrew German
Managing Counsel, Legal Policy &
Ratemaking

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
February 19, 2008

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 3**

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.

RESPONSE:

- a. The exclusion period began on December 2 and ended on December 29, 2006. See USPS FY 2007 Comprehensive Statement GPRA Performance Report, page 51.
- b. The EXFC data generated without the exclusion period are as follows:

<u>First-Class Mail</u>	<u>Percentage On Time</u>
Overnight	95.6
Two Day	92.4
Three Day	89.6

These numbers represent the performance for letters, cards, and flats. All results exclude data from ZIP Code Areas 700 and 701, as testing was suspended in those areas during FY 2007 due to the impact of Hurricane Katrina.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 3**

- c. The Postal Service does not consider EXFC data disaggregated by quarter at the district level to fall within the scope Annual Compliance Report requirements. The Postal Service is committed to providing reporting such data on www.usps.com in the near future. The requested district level data are, nevertheless, provided in the attached spreadsheet, CIR.3.Q.1.EXFC.xls.
- d. The Postal Service does not consider the requested variance data to fall within the scope Annual Compliance Report requirements. The table below presents the EXFC data for FY 2007 reported in response to subpart b, showing the cumulative percentage of mail delivered within one, two, and three additional days beyond the service standard for each of the three service standards.

**External First-Class Mail Measurement System
FY2007
National Originating/Destinating On-Time Performance**

Service Standard	Percent Delivered			
	On Time	+1 Days	+2 Days	+3 Days
Overnight	95.6	98.6	99.3	99.6
Two-Day	92.4	97.3	98.7	99.3
Three-Day	89.6	96.2	98.3	99.1

Results do not include Louisiana ZIP Codes 700 and 701 as testing was suspended in FY2007 and FY2008 Q1 due to the impact of Hurricane Katrina.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 3**

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.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 3**

RESPONSE:

- a. Activity code 6420 has been classified as non-volume-variable and it has been listed in the spreadsheet if there are costs associated with it. For example, the BY 04 '6420' costs appear in LR-K-100 part 2 in Docket R2005-1, but not in LR-L-100 pt_2 in Docket No. R2006-1. That is because there were '6420' costs for BY04 but none for BY05 since activity code 6420 is no longer used for Clerk and Mailhandler tallies with the FY05 IOCS Redesign. However, in the spreadsheet PRC 3.02 of the B Workpapers, there continues to be a place holder for '6420' with the description 'performing routine office work.' To take advantage of the existing structure where costs would flow properly through the CRA model, '6420' was re-used in FY 07 when the need arose to assign a non-volume-variable activity code for keying COA (Change of Address) forms at the RECs (Remote Encoding Centers) in the LD15 cost pool (see section 3. in the Preface to USPS-FY07-7). Consequently, as can be seen in USPS-FY07-7 Part2.xls, the '6420' non-volume-variable costs appear only in connection with the LD15 cost pool. Please note that the LD15 cost pool 6420 COA costs are derived from WEBMODS (see USPS-FY07-23) and not from IOCS which does not sample RECs.

As indicated in Footnote 1/ of the spreadsheet, the non-volume-variable costs for the row labeled "6231-Xprs_000 fx" are associated with out-of-office Express Mail activities (also see section 4. Express Mail Out-of-Office Costs in the Preface). They represent 57 percent of the total out-of-office Express Mail costs for a given cost pool while the 43 percent volume-variable portion of these costs are split between the rows labeled "6-1Exprs_000 vc" and "20--IXprs_000 vc" (see response to CIR 2,

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION INFORMATION REQUEST NO. 3

Question 9). Out-of-office Express Mail activities are based on tallies associated with IOCS Q17A07=A (Off-Premises Express Mail Pick Up / Delivery), which are assigned the '6231' code in the IOCS data file. Costs for these '6231' tallies are further apportioned among the three rows labeled "6231-Xprs_000 fx", "6-1Exprs_000 vc", and "20--IXprs_000 vc". Additionally, to make the distinction between the costing treatment of '6231' and the initially assigned IOCS activity code of 6231, a new non-volume-variable code '6232' is created in PRC3.02 of the B Workpapers to be used for "6231-Xprs_000 fx."

- b.** Activity codes 6210, 6230, 6240 identify instances where at the time of the reading, the sampled employee is on-premises, is assigned to the named operation associated with the code, but is reported 'not handling mail, USPS Form(s), or Container(s)' in that operation (see IOCS Q20=G), and no other activity is identified for the sampled employee. The IOCS operation is Bulk Mail Acceptance for 6210, Registry for 6230, Nixie for 6240. Additionally, 6210 is used when the employee is off-premises at a detached mail unit (DMU) or accepting mail at a mailer's plant (IOCS Q18A07=D). It is to be noted that these codes exclude instances when the employee is on break, clocking in/out, or obtaining empty equipment, which are separate options in the IOCS questionnaire and are given different IOCS activity codes if selected at the time of the reading.

Activity code 6430 identifies instances when the sampled employee's assigned operation is reported as 'Other Accountable Work' in the IOCS questionnaire, and either of two options in the questionnaire is selected to describe the employee's activity: 'Checking In/Out Carriers' Keys/Accountables', or 'Checking In/Out Carriers' Scanners and Related Work.' When either option is selected, it is typically associated with the employee 'not handling mail, USPS Form(s), or Container(s).'

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO COMMISSION INFORMATION REQUEST NO. 3

Activity code 6525 identifies instances where the sampled employee is reported to be 'Waiting for Machine Restart/Waiting for Mail or Vehicle' in the IOCS questionnaire. 'Waiting for Machine Restart/Waiting for Mail' is a separate IOCS selection option for automated and mechanized distributions. 'Waiting for Mail' is a separate IOCS option for manual distribution operations and allied operations involving platform, transport, cancellation, pouching, mail preparation, dispatch, opening/tray separation, and bulk mail acceptance units. The wording for Platform activities is more specifically 'waiting for mail or vehicle' and for Bulk Mail Acceptance 'waiting for mail or customer.' When the option is selected, it is typically associated with the employee 'not handling mail, USPS Form(s), or Container(s)' in the operation. It is to be noted that under 'top piece rule' circumstances when a piece of mail is randomly selected from mail being processed on equipment (see USPS-FY07-27), the identified mail activity code is assigned instead of 6525.

- c.** The "6231-Xprs_000 fx" costs represent costs for the 57 percent of the out-of-office activities from IOCS Q18A07=A that are associated with each of the 19 cost pool MODS operations into which employees are clocked (see response to a. above).
- d.** The nonMODS cost pools are constructed from IOCS Q18 operations. The in-office and out-of-the office Express Mail activities are combined to form the Express Mail cost pool. The in-office activities are considered 100 percent volume-variable as before, The out-of-office activities are based on IOCS Q18A07=A and are costed the same way as for the MODS facilities (see response to a. above). The lower volume-variability for the overall cost pool reflects the larger percentage of the out-of-office component for the nonMODS Express Mail cost pool, which

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 3**

results in a larger non-volume-variable portion of the total cost for the Express Mail cost pool.

- e. The same institutional activity codes apply to MODS 1&2, nonMODS, and BMCs. However certain activity codes may not be as relevant to a facility type depending on the nature of the work at the facilities. For BMCs, 6230 (registry) and 6240 (nixie) are designated non-volume-variable in Docket R2006-1 as in FY07 (see the list of migrated and institutional activity codes in the SAS program BMC1.rtf in LR-I-100 and in USPS-FY07-7). However, IOCS reports no activity tallies for these codes in either year: they do not show up in the SAS output tables for B5ALLIED and as such they do not appear as rows in the section above 'Variability Computation' of the part 2 spreadsheet. Consequently, though they are listed in the section under the 'Variability Computation' section, they have no costs associated with them.

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.

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
February 19, 2008