

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

Annual Compliance Report, 2008

Docket No. ACR2008

COMMISSION INFORMATION REQUEST NO. 2

(Issued January 30, 2009)

To clarify the basis of the Postal Service's estimates in its Annual Compliance Report, filed December 29, 2008, 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, but no later than February 6, 2009.

1. In Docket No. CP2008-3, commercial base prices and volume incentives were established for Express Mail in the form of discounted rates and quarterly rebates. Please provide the FY 2008 volumes and revenues for these price categories.
2. The table on page 13 of the FY 2008 ACR displays the Percentage of On-Time service performance of 93.4 percent for Single-Piece First-Class Mail International Letters, as measured by the International Mail Measurement System (IMMS). The Postal Service states that the percentage represents "a composite of overnight, 2-day, and 3-day performance." *Id.* The percentage reported also combines service performance for outbound and inbound letters.
  - a. In the FY 2007 Annual Compliance Determination (FY 2007 ACD), the Commission requested that the Postal Service provide overnight, 2-day, and 3-day service performance for both outbound and inbound First-Class

Mail International, separately. FY 2007 ACD at 118. Please provide the FY 2008 First-Class Mail International Letters service performance for the separations requested in the FY 2007 ACD.

- b. If the overnight, 2-day, and 3-day service performance percentage for inbound Single-Piece First-Class Mail International Letters provided in response to subpart a., above, differs from the quality of service measurement results for the link to terminal dues for inbound Letter Post reported by the UNEX monitoring system, please discuss the causes of such differences. To the extent the differences are attributed to the IMMS performance being reported on a fiscal year basis while the quality of service link performance is reported on a calendar year basis, or IMMS performance is derived from a larger number of geographic areas than the UNEX system results, please provide a comparison of service performance results under the IMMS and the UNEX system on a monthly basis for the first 3 months of FY 2008 (last 3 months of calendar year 2007) for the same (or approximately the same) geographic locations.
3. Please refer to USPS-FY08-1-FY 2008 Public Cost and Revenue Analysis (PCRA) Report, Excel file FY08PublicCRA.xls, worksheets Cost1 and Volume1. Also, please refer to the Postal Service's website, [http://www.usps.com/financials/\\_pdf/FY08RPWquarter4.pdf](http://www.usps.com/financials/_pdf/FY08RPWquarter4.pdf), which displays Table 1-A, Mailing Services (Market Dominant Products), Revenue, Pieces, and Weight by Classes of Mail and Special Services for Quarter 4 and Year-To-Date (for FY 2008).
  - a. For market dominant Outbound Single-Piece First-Class Mail International, worksheets Cost1 and Volume1 show revenue and volume of \$746,930,918 and 420,032,766, respectively. Table 1-A shows year-to-

date revenue and volume of \$746,934,368 and 420,033,807, respectively. Please reconcile these revenue and volume figures and show all calculations.

- b. For market dominant Inbound Surface Parcel Post (at UPU Rates), worksheet Cost1 shows revenue of \$9,028,411. Table 1-A shows year-to-date revenue of \$12,435,005. Please reconcile these revenue figures and show all calculations.
4. Please refer to USPS-FY08-NP2, and the Excel file "Reports.xls," containing the International Cost and Revenue Analysis (ICRA), and the Excel file "FY2008\_RPWextractfile\_mcs.xls," containing the non-public Revenue, Pieces, and Weight (NPRPW) report. Also, please refer to USPS-FY08-NP11, and the Excel file "FY08NonPublicCRA.xls," containing the non-public Cost and Revenue Analysis (NPCRA) report.
    - a. For market dominant Outbound International Ancillary Special Services, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
    - b. For market dominant Inbound International Ancillary Special Services, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
    - c. For competitive Outbound International Expedited Services, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA and the NPCRA.

- d. For competitive Inbound International Expedited Services, please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
- e. For competitive Inbound Air Parcel Post, please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
- f. For competitive International Priority Airmail (IPA), please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
- g. For competitive International Surface Airlift (ISAL), please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
- h. For competitive Inbound Surface Parcel Post (at non-UPU Rates), please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
- i. For competitive Outbound International Negotiated Service Agreements, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
- j. For competitive Inbound International Negotiated Service Agreements, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.

- k. For competitive Outbound International Ancillary Special Services, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
  - l. For competitive Inbound International Ancillary Special Services, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
  - m. For International Money Orders, please reconcile the volume and revenue reported in the NPRPW with the volume and revenue reported in the ICRA.
  - n. For International Money Transfer Service, please reconcile the revenue reported in the NPRPW with the revenue reported in the ICRA and the NPCRA.
5. Please refer to USPS-FY08-NP2, and the Excel file “IBRS08 Costing.xls.” The rate shown in column K for FY 2008 is the CY 2007 rate per item in SDRs from the 2007-2008 Canada Post – United States Postal Service bilateral agreement. Please explain whether the rate in column K for the months of January – September 2008 should be the CY 2008 rate per item in SDRs. If so, please provide an updated file.
6. Please provide all input and source spreadsheets/workbooks to the following delivery cost workbooks: CS6&7, CS10, and I-Forms (from Library Reference FY-08-32); and UDCModel, UDCInputs, and VolAdj (from Library Reference FY-08-19). Please also provide spreadsheets with both internal and external links.

7. This question refers to USPS-FY08-03, Worksharing Discount Table-FY 2008\_12\_28-08.xls, Worksheet "Periodicals Outside County," and the Worksheet "Periodicals Within County."
  - a. Please file a revised version of USPS-FY08-3 using direct unit mail processing costs for the mail processing portion of the cost differential calculations, with links in each cell showing the formula and cells referenced for the calculations.
  - b. If the total unit costs for the mail processing portion were used to calculate the cost differential of Outside and Within County Periodicals, please provide the reasons for this change in methodology.
  
8. Please confirm that the volumes reported in the Mail Characteristics Study were used to determine the weighted average mail processing and delivery costs for Basic, 3-digit, 5-digit, Non-Auto and Auto, Within County Periodicals in the FY 2007 ACR, while the billing determinants are the source of these calculations in the FY 2008 ACR.
  - a. If confirmed, please file a revised version of USPS-FY08-3 using the relevant volumes from the Mail Characteristics Study.
  - b. Please explain the reason the data source was changed to make these calculations.
  
9. Please confirm that the benchmark in USPS-FY08-3, Worksharing Discount Table-FY 2008\_12\_28-08.xls, Worksheet "Periodicals Within County," cell D13 should read "High Density," rather than "CR Basic."

10. Please refer to the Postal Service's electronic file (CIR.2.Q.13.Within.County.xls) provided in response to CIR No. 2 in the FY 2007 ACR. Please confirm that the Worksheet "Periodicals Within County" calculated the cost differential associated with the DDU dropship discount (cell F49) as the difference in total non-transportation cost savings-DSCF, and total non-transportation cost savings-DDU, while USPS-FY08-03, Worksharing Discount Table-FY 2008\_12\_28-08.xls, Worksheet "Within County," appears to calculate the cost differential associated with the DDU dropship discount as total non-transportation cost savings-DDU.
  - a. If confirmed, please file a revised version of USPS-FY08-03, which calculates the cost differential for the DDU dropship discount in the same manner as CIR.2.Q.13.Within.County.xls, submitted in the FY 2007 ACR.
  - b. If DDU dropship discount was calculated differently in the FY 2008 ACR (as compared to the FY 2007 ACR), please provide the reasons for this change.
  - c. If not confirmed, please explain.
  
11. This question refers to USPS-FY08-03, Worksharing Discount Table-FY 2008\_12\_28-08.xls, Worksheet "Periodicals Outside County." Table 1 below develops the cost differentials for Machinable Automation MADC Flats and Non-machinable Automation MADC Flats using direct mail processing piece costs from USPS-FY-11, PER OC flts.xls.

<b>Benchmark Rate Category</b>	<b>Discounted Rate Category</b>	<b>Benchmark Rate Category Unit Cost (\$)</b>	<b>Discounted Rate Category Unit Cost (\$)</b>	<b>Cost Differential (\$)</b>
		(1)	(2)	(1-2)
Machinable Non-automation MADC Flats	Machinable Automation MADC Flats	\$0.247	\$0.215	\$0.032
Non-machinable Non-automation MADC Flats	Non-machinable Automation MADC Flats	\$0.561	\$0.457	\$0.104

Please reconcile the cost differentials calculated in Table 1 above and the cost differentials presented in USPS-FY08-03, Worksharing Discount Table-FY 2008\_12\_28-08.xls, Worksheet "Periodicals Outside County," rows 29 and 31.

12. This question concerns the calculation of avoidable costs supporting worksharing calculations for automation categories (Basic, 3-digit, and 5-digit) for Within County Periodicals.
  - a. Please confirm that in its FY 2007 ACR filing, the Postal Service calculated the avoidable cost using the difference between the weighted average cost of non-barcoded machinable and non-machinable flats, and the weighted average cost of barcoded machinable and non-machinable flats. Please also confirm that the avoidable costs are based on direct costs rather than total (direct plus allied) cost. (See Docket No. ACR2007, USPS-FY07.3.Worksharing\_Discount\_Table -Revised.1.22.08.xls, Sheet: Periodicals Within County, cells F45, F46, and F47).
  - b. Please confirm that in its FY 2008 ACR filing, the Postal Service calculated the avoidable cost using the difference between the weighted average cost of non-barcoded machinable and non-machinable flats, and the cost of barcoded machinable flats. Please also confirm that the

avoidable costs are based on total costs rather than direct costs. (See Docket No. ACR2008, USPS-FY08-3, File: Worksharing Discount Table-FY 2008\_12\_28-08.xls, Sheet: Periodicals Within County, Cells F19, F20, and F21 and corresponding links.)

- c. Please provide a revised version of worksheets referenced in “b” above using the Postal Service’s methodology described in “a” above.
- d. Please provide the rationale for the change in methodology, including direct cost versus total cost.

By the Commission.

Steven W. Williams  
Secretary