

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

Annual Compliance Report, 2008

Docket No. ACR2008

COMMISSION INFORMATION REQUEST NO. 3

(Issued February 6, 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 13, 2009.

1. Please refer to USPS-FY08-3 (revised as "Items 6 and 9 Spreadsheet (ws disc table revised).xls"). The 'Standard Mail Letters' tab does not present the avoided cost and passthrough for Automation Mixed AADC Letters. Please confirm that based on the accepted methodology the avoided cost associated with this discount is negative 0.985 cents  $((6.261 + 4.068) - (6.975 + 4.339))$  and that the resulting passthrough is negative 30 percent  $(0.3 / -0.985)$ .
  - (a) If confirmed, please discuss why non-prebarcoded letters are less costly to process and deliver than barcoded letters.
  - (b) If not confirmed, please explain.
  - (c) Please address how the discount complies with the section 3622(e) of title 39.

2. Please refer to the worksharing cost avoidance models for letters in USPS-FY08-10. For both Standard and First-Class Mail, the operation specific piggyback factor for "MLOCR" in the 'WAGE RATES – PIGGYBACK FACTORS' tab is taken from the 'A' tab of USPS-FY08-25 MPPGY08PRC.xls, whereas in the FY 2007 Annual Compliance Report (ACR) and Annual Compliance Determination (ACD), a different factor from the 'NEWOCR' tab was used. The factor used in last year's calculations incorporates costs "Adjusted to share of DIOSS OCR Replacements."
  - (a) Please explain the rationale for the use of a different piggyback factor in this year's calculations.
  - (b) Please present the effects of the change on avoided cost estimates using the accepted methodology, including the avoided cost of First-Class non-automation presort letters compared to the BMM benchmark.
  
3. In the FY 2007 ACD letter worksharing cost avoidance models for First-Class and Standard Mail, the 'PRODUCTIVITY' sheet used a remote encoding center (REC) productivity input taken from USPS-FY07-23, RECprods2007.xls that was adjusted for overhead (in column E). This year's models also use REC productivity from the equivalent file (USPS-FY08-23, RECprods2008.xls), however unlike the 2007 models, the input used is the productivity (in column D) that is not adjusted for overhead. (See USPS-FY08-10).
  - (a) Please confirm that this modification was not used in the flats cost models which retain the use of the "Productivity Adjusted for Overhead." (See USPS-FY08-11)
  - (b) If not confirmed, please explain.

- (c) Please confirm that the adjusted productivity from column E should be used as the appropriate input for the cost avoidance models.
- (d) If not confirmed, please explain the rationale for the change in methodology.
4. The letter worksharing cost avoidance models for First-Class and Standard Mail utilize a productivity for Incoming CSBCS Secondary DPS (3 Pass) that has not been updated from the FY 2007 figure. See, e.g., USPS-FY08-10 STD Reg Letter Costs Final.xls, 'PRODUCTIVITY' sheet. The source of this input, USPS-FY08-23, YRscrub2008.xls, lists the MODS productivity data as "N/A" for this operation. Please provide this data, or explain why the data are not available.
5. Please refer to the data referenced in: (1) USPS-FY08-4, File: 08 Periodicals Within County BD.xlsx, Sheet: Reports, Cells J22 and K28; and (2) USPS-FY08-1, File: FY08PublicCRA.xlsx, Sheet: Cost1, Cell D36, and Sheet: Volume1, Cell D34. The table below presents the relevant data.

<b>FY 2008 Within County</b>		
	<b>Billing Determinants</b>	<b>CRA</b>
	<b>(1)</b>	<b>(2)</b>
<b>Revenues</b>	89,378,985	89,118,523
<b>Volumes</b>	832,546,324	830,887,260

- (a) Please reconcile the FY 2008 Within County revenues and volumes reported in columns (1) and (2), including an explanation for the differences.
- (b) Please file revised version(s) of all files affected by the correction(s).

6. Please provide a table summarizing the FY 2008 Domestic Mail Billing Determinants for Market Dominant and Competitive Products. The structure of the table should be similar to the table the Postal Service provided in Docket No. ACR2007 in response to CIR No. 1, Question 25. The columns of the table should include the following items for each mail category and special service: Volume, Postage Revenue, Fees, Total Revenue (Postage Revenue plus Fees), and Revenue per Piece (Total Revenue divided by Volume). The rows of the table should include the mail categories, special services, and summations as in the response to CIR No. 1, Question 25, in Docket No. ACR2007. The Billing Determinant volume, revenue, and mail fee figures should match those of RPW.

By the Commission.

Steven W. Williams  
Secretary