



March 25, 2009

Hon. Steven W. Williams, Secretary
Postal Regulatory Commission
901 New York Avenue, NW
Suite 200
Washington, DC 20268-0001

RE: Docket No. MC2005-2

Dear Mr. Williams:

In accordance with the Commission's Opinion and Recommended Decision Approving Negotiated Service Agreement in Docket No. MC2005-2, Rate and Service Changes to Implement Functionally Equivalent Negotiated Service Agreement with HSBC North America Holdings Inc. (May 20, 2005), attached is the Postal Service's Data Collection Report for the time period January 1, 2008 to December 31, 2008. Also attached are printouts of the Excel spreadsheets showing the analysis. Please note that this letter and the accompanying report are also being filed electronically

As suggested by the contents of this report, due to changing circumstances, the benefits anticipated from this agreement failed to materialize. The agreement expired on January 1, 2009 (DMCS § 613.5), and this is therefore the final data collection report regarding the HSBC agreement.

Sincerely,

A handwritten signature in black ink that reads "Eric P. Koetting".

Eric P. Koetting
Attorney

Attachments

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

Data Collection Plan Requirements:

1. Volume of First-Class Mail solicitations by rate category in eligible HSBC permit accounts.
2. Volume of First-Class Mail customer mail by rate category in eligible HSBC permit accounts.
3. Amount of discounts paid to HSBC for First-Class Mail by incremental volume block.
4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to HSBC.
5. Number of electronic address correction notices provided to HSBC for forwarded solicitation mailpieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).
6. Number of electronic address correction notices provided to HSBC for solicitation mailpieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).
7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.
8. For each First Class solicitation mailing list run against NCOA, HSBC will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.
9. For each Change of Address record that is used to forward a piece of HSBC solicitation mail through ACS under the Agreement, the Postal Service will provide the date the record was created, its move effective date, whether it was for a family or individual move, and each date that the record was used to forward a mail piece. No other information from the record would be provided.
10. As part of each data collection plan report, the Postal Service will provide an evaluation of the impact on contribution. It will also provide an assessment of trends of HSBC's First-Class Mail volume as compared to overall First-Class Mail volume.
11. Volume of Standard Mail solicitations by rate category in eligible HSBC permit accounts.
12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

1. Volume of First-Class Mail solicitations by rate category in eligible HSBC permit accounts.

Nonautomated Presorted Letters	
First Ounce	361,759
TOTAL Nonautomated Presorted Letters	361,759
Automation Presort Letters	
Mixed AADC letters	3,556,092
AADC Letters	2,379,457
3-Digit Letters	10,166,110
5-Digit Letters	3,639,057
TOTAL Automation Presort Letters	19,740,716
Automation Carrier Route Letters	
First Ounce	
TOTAL Automation Carrier Route Letters	
TOTAL HSBC FIRST-CLASS MAIL	20,102,475

Source: PostalOne

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

2. Volume of First-Class customer mail by rate category in eligible HSBC permit accounts.

Nonautomated Presorted Letters	
First Ounce	17,754,942
TOTAL Nonautomated Presorted Letters	17,754,942
Automation Presort Letters	
Mixed AADC letters	19,266,535
AADC Letters	36,591,282
3-Digit Letters	320,615,179
5-Digit Letters	58,155,754
TOTAL Automation Presort Letters	434,628,750
Automation Carrier Route Letters	
First Ounce	
TOTAL Automation Carrier Route Letters	
TOTAL HSBC FIRST-CLASS MAIL	452,383,692

Source: PostalOne

**MC2005-2 Data Collection Report
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3. Amount of discounts paid to HSBC for First-Class Mail by incremental volume block.

The thresholds and discounts for the NSA are calculated and reconciled on a yearly basis. The schedule below shows the declining block discounts appearing in the HSBC agreement for the third year, which would otherwise apply to calendar 2008, and the results of applying those discount tiers to the actual 2008 volume.

STARTING BLOCK (pieces)	ENDING BLOCK (pieces)	INCENTIVE	INCENTIVES PAID
0	810,000,000	\$0.000	\$0.000
810,000,000	850,000,000	\$0.025	\$0.000
850,000,000	870,000,000	\$0.030	\$0.000
870,000,000	890,000,000	\$0.035	\$0.000
890,000,000	910,000,000	\$0.040	\$0.000
910,000,000	930,000,000	\$0.045	\$0.000
930,000,000	>	\$0.050	\$0.000
		TOTAL	\$0.000

The HSBC agreement, however, also included a threshold adjustment clause. It can be found in Section III.F of the NSA, which appears on pages 5-6 of Attachment F of the Feb. 23, 2005 Request package in Docket No. MC2005-2. (A less detailed version appears in DMCS § 613.33) The relevant part of the NSA clause is reproduced below:

F. Annual Threshold Adjustment: The initial discount threshold for Year 1 shall be fixed at 615,000,000; for Year 2; at 725,000,000; and for Year 3, at 810,000,000, subject to the following:

At the end of the first and second year of the agreement, HSBC shall determine whether actual First-Class Mail volumes were more or less than the First Class Mail Before Rates forecast for that year (YR_n). HSBC shall determine (to one decimal point, such as 4.3 percent) the First-Class Mail percentage deviation from forecast (the “FCM percentage surplus” or the “FCM percentage deficit”) by dividing the difference between actual First-Class Mail volumes and First-Class Mail Before Rates forecast volumes for YR_n by total First-Class Mail Before Rates forecast volumes for YR_n. HSBC shall also determine the difference between actual Standard Mail volumes and Standard Mail forecast volumes for YR_n. For purposes of this provision, the Standard Mail forecast for Year 1 is 605 million pieces, for Year 2 is 596 million pieces, and for Year 3 is 586 million pieces. HSBC shall determine the Standard Mail percentage deviation from forecast (the “SM percentage surplus” or the “SM percentage deficit”) by dividing the difference between actual Standard Mail volumes and Standard Mail forecast volumes for YR_n by total Standard Mail forecast volumes for YR_n. The Postal Service shall annually review the determinations made by HSBC pursuant to this section, and shall either concur or take prompt steps towards a mutually agreeable resolution.

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2. If the FCM percentage deficit for YR_n is greater than 15%, then the discount threshold for $YR_{(n+1)}$ shall be decreased by the following percentage: the FCM percentage deficit minus 15%. For example, if the FCM percentage deficit for YR_n were 18.0%, then the discount threshold for $YR_{(n+1)}$ would be decreased by 3.0%. Once the original threshold level is multiplied by the derived percentage adjustment factor, however, the new threshold level so calculated will then be rounded to the nearest whole million pieces.

3. For any year in which the initial discount threshold is increased or decreased to a new threshold level by the above formulations, the threshold for each successive discount tier will be increased or decreased by the same absolute amount as the initial discount tier (after rounding).

Pursuant to this clause, examining actual and projected volumes for 2007, which for purposes of administering the agreement was also treated as Year 3, the projected Before Rates FCM volume was 855,738,206, while the actual volume was only 581,994,803. See 2007 HSBC Data Collection Report (Feb. 25, 2008). Applying the above methodology, this shortfall of approximately 274 million pieces resulted in a FCM percentage deficit (rounded to the nearest tenth of a percent) of 32.0 percent of the Before Rates forecast volume of 855 million. Since this deficit amount is greater than the trigger amount of 15.0 percent, the discount threshold for the next year (i.e., 2008) is reduced. The percentage reduction, in accord with paragraph 2 above, is 32.0 percent minus 15.0 percent, or 17.0 percent. A 17.0 percent reduction in the original threshold of 810 million yields an adjusted threshold for 2008 of 672 million (when rounded to the nearest million). The reduction of the initial tier threshold from 810 to 672 million is 138 million. Therefore, in accordance with paragraph 3 above, all subsequent tiers are likewise reduced by 138 million pieces. The results are shown below.

STARTING BLOCK (pieces)	ENDING BLOCK (pieces)	INCENTIVE	INCENTIVES PAID
0	672,000,000	\$0.000	\$0.000
672,000,000	712,000,000	\$0.025	\$0.000
713,000,000	732,000,000	\$0.030	\$0.000
732,000,000	752,000,000	\$0.035	\$0.000
752,000,000	772,000,000	\$0.040	\$0.000
772,000,000	792,000,000	\$0.045	\$0.000
792,000,000	>	\$0.050	\$0.000
		TOTAL	\$0.000

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HSBC NSA
January 2008 – December 2008

Although the contract only specifies a threshold adjustment, for purposes of trying to evaluate the financial impact of the agreement, it seems reasonable likewise to reduce the projected Before Rates forecast for the next year (i.e., 2008) by, for example, the same percentage amount as the reduction in the threshold. Thus, the otherwise applicable Before Rates forecast of 855,738,206, would commensurately be reduced by 17 percent to 710,262,711. That value thus appears in the Projected Before Rates Volume row in the Actuals column of the attached financial impact Excel spreadsheet for purposes of estimating USPS Value. Such an adjustment guards against what otherwise might be an inflated estimate of discounted “anyhow” volume (which generally would be the difference between the lowest discount threshold and the Before Rates forecast), and thus an excessive discount leakage calculation. (An alternative approach might be to reduce the Before Rates forecast by the same absolute amount of 138 million, but the difference would be modest.)

In any event, none of these adjustments have any effect whatsoever on the financial impact analysis. Not only was the 2008 volume of 472 million still well below the adjusted threshold level, but, even if it were not, as a practical matter, the lack of ACS participation would preclude payment of any discounts anyway.

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

4. Volumes of First-Class Mail solicitations bearing the ACS endorsement that are physically returned to HSBC.

No ACS codes were applied, therefore no data were captured.

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

5. Number of electronic address correction notices provided to HSBC for forwarded solicitation mail pieces, including the number of notices processed by CFS units and separately for PARS (when fully operational).

HSBC did not participate in ACS, therefore no electronic notices were provided to HSBC.

**MC2005-2 Data Collection Report
HSBC NSA
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6. Number of electronic address correction notices provided to HSBC for solicitation mail pieces that would otherwise be physically returned, including the number of notices processed by CFS units and separately for PARS (when fully operational).

No return data were captured.

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7. Monthly estimate of the amount of time spent on compliance activity and a description of the activities performed.

Department	Activity and Description	Work-hours	Time-Frame
Pricing Strategy	<u>Volume Reconciliation</u> : Reconciling USPS permit volume counts with internal volume counts	1	Per month
Pricing Strategy	<u>NSA Data Collection Plan</u> : Ensuring compliance with the Data Collection Plan	20	Per Year
Address Management	<u>ACS Support</u> : Providing ACS counts and support for ACS related issues	0	Per month
Finance	<u>RPW Reporting</u> : Monitoring and ensuring that discounts are allocated properly in RPW reporting (one-time event)	12*	Per year
Finance	<u>Accounting Procedures</u> : Developing accounting controls and procedures for the refund process	0*	Per quarter
Legal	<u>Legal Advice</u> : Advising on compliance and preparation of the data collection plan	24	Per Year
Pricing, Finance	<u>NSA and rate-cases</u> : Ensuring that NSA volumes and affects are accurately reported and accounted for in rate-case filings	100*	Per Year

* These work-hours represent the total time spent on all implemented NSAs.

**MC2005-2 Data Collection Report
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January 2008 – December 2008**

8. For each First Class solicitation mailing list run against NCOA, HSBC will provide NCOA contractor reports that separately identify the number of address records checked and the number of corrections made.

No data were captured.

**MC2005-2 Data Collection Report
HSBC NSA
January 2008 – December 2008**

9. For each Change of Address record that is used to forward a piece of HSBC solicitation mail through ACS under the Agreement, the Postal Service will provide the date the record was created, its move effective date, whether it was for a family or individual move, and each date that the record was used to forward a mail piece. No other information from the record would be provided.

No ACS codes were applied, therefore no return data were captured.

**MC2005-2 Data Collection Report
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January 2008 – December 2008**

- 10. As part of each data collection plan report, the Postal Service will provide an evaluation of the impact on contribution. It will also provide an assessment of trends of HSBC's First-Class Mail volume as compared to overall First-Class Mail volume.**

In the time period January 2008 – December 2008, the HSBC agreement had no impact on contribution, as their actual volumes were below threshold levels and no material amount of mail was entered with an ACS endorsement. In terms of trends, HSBC First-Class Mail volume declined, in accord with a broader decline (in FY08) in overall First Class Mail workshare volume.

**MC2005-2 Data Collection Report
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 January 2008 – December 2008**

11. Volume of Standard Mail solicitations by rate category in eligible HSBC permit accounts.

Standard Mail Letters Regular

Mail Category	Volume
Mixed AADC Auto	22,350,968
AADC Auto	22,214,632
3-Digit Auto	138,246,105
5-Digit Auto	102,178,855
Nonauto Mixed ADC	5,226,408
Nonauto ADC	2,086,638
Nonauto 3-Digit	2,448
Nonauto 5-Digit	25,021
Total Volume	<u>292,331,075</u>

Standard Mail ECR Letters

Mail Category	Volume
Basic Nonauto	2,886,297
High Density	364,644
Saturation	21,148,702
Total Volume	<u>24,399,643</u>
GRAND TOTAL	<u>316,730,718</u>

**MC2005-2 Data Collection Report
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12. A comparison of the estimated mailer-specific costs, volumes, and revenues with the actual mailer-specific costs, volumes, and revenues.

Please see attached Excel file, first tab "USPS Value."

Docket No. MC2005-2 Data Collection Report
HSBC NSA
January 2007 - December 2007

USPS HSBC NSA January 08-December 08
Appendix A: page 1
USPS Value Calculation

		Year 3 Results (Jan 2008 - Dec 2008)	
		MC2005-2 Filing	Actuals
(1)	Total Actual Volume	875,738,206	472,486,167
(2)	Threshold	810,000,000	672,000,000
(3)	Volume Above Threshold	65,738,206	0
(4)	Projected Before Rates Volume	855,738,206	710,262,711
(5)	Leakage Volume	45,738,206	0
(6)	Incremental Pieces	20,000,000	0
(7)	Standard Mail Volume		316,730,718
(8)	Standard Mail Volume SPLY		1,162,068,734
<hr/>			
		MC2005-2 Year 3	Actual
(9)	Statement Mail	556,469,938	452,383,692
(10)	Marketing Mail	319,268,268	20,102,475
		875,738,206	472,486,167
<hr/>			
		Docket No. MC2005-2 Filing	Actuals
New Marketing Mail Contribution			
(11)	Increased Volume	20,000,000	0
(12)	HSBC FCM Revenue per Piece	\$0.295	\$0.340
(13)	HSBC FCM Cost per Piece	\$0.140	\$0.115
(14)	HSBC FCM Cont/Pc - Standard Cont/Pc	\$0.071	\$0.137
(15)	HSBC Contribution	\$1,426,090	\$0
(16)	Discount on Incremental Volume	\$628,691	\$0
(17)	New Mail Contribution (net discounts)	\$797,399	\$0
Discount Leakage			
	Leakage Volume	45,738,206	0
(18)	Total Discount Leakage	\$1,172,146	\$0
Return Cost Savings			
(19)	Manual Return Cost	\$0.62	\$ 0.3527
(20)	Electronic Return Cost	\$0.39	\$ 0.1421
(21)	Return Cost Savings	\$0.24	\$0.211
(22)	# of ACS Returns	12,082,956	0
(22a)	ACS Savings	\$2,911,882	\$0
Forwarded Costs			
(23)	Cost of Providing ACS notices for forwards	N/A	\$ 0.1933
(24)	Number of ACS notices provided	N/A	0
(25)	Total Forwarding Costs	\$0	\$0
(26)	Total USPS Value	\$2,537,135	\$0

1	For Filing, Docket No. MC2005-2, USPS-T-1, Appendix
2	For Filing, Docket No. MC2005-2. For Actuals, see Item 3 (pages 4-6) of attached 2008 Data Collection Report to explain 17% downward threshold adjustment.
3	(1) - (2) if the Total Actual Volume (1) is greater than the Threshold (2); 0 if the Threshold is greater than (1).
4	For Filing, Docket No. MC2005-2. For Actuals, Filing BR Projection reduced 17%, as explained in Item 3 of 2008 Data Collection Report.
5	(4) - (2) if the Projected Volume (4) is greater than the Threshold (2); 0 if the Threshold is greater than (4).
6	(1) - (4) if the Total Actual Volume (1) is greater than the Projected Volume (4); 0 if the Projected Volume is greater than (1).
7	PostalOne!
8	PostalOne!
9	For MC2005-2, HSBC T-1. For Actuals, USPS Permit System
10	For MC2005-2, HSBC T-1. For Actuals, USPS Permit System
11	(6)
12	For Filing, MC2005-2 USPST-1, Appendix A. For Actuals, HSBC Marketing Unit Rev tab, this spreadsheet.
13	For Filing, MC2005-2 USPST-1 Appendix A. For Actuals, HSBC Marketing Unit Cost tab, this spreadsheet.
14	(12) - (13) - Standard Mail Unit Contribution (Filing, USPS-T-1 App. A, tab Contrib Inputs, Actuals from tab HSBS Standard Mail Contrib, cell I28, this spreadsheet).
15	(11) * (14)
16	For Filing, USPS-T-1, App. A. For Actuals, attached 2008 Data Collection Report, response to Item 3 (page 4).
17	(15) - (16)
18	For Filing, USPS-T-1, App. A. For Actuals, attached 2008 Data Collection Report, response to Item 3 (page 4).
19	For Filing, MC2005-2 USPST-1 Appendix A. For Actuals,
20	For Filing, USPS-T-1, App. A. For Actuals, PARS08 ACSTabs PRC_v.xls, Tables 5.4, 5.5, & 5.9
21	(19) - (20)
22	For Filing, Docket No. MC2005-2 USPS T-1 Appendix A. For Actuals, No ACS codes applies therefore no data was captured.
22a	(21) * (22)
23	For Filing, Not applicable. For actuals, PARS08 ClassTabs PRC_v.xls, Tables 4.62 & 4.64
24	For Filing, Not Applicable. For Actuals, No ACS codes applied, therefore no data captured.
25	(23) * (24)
26	(17) + (22a) - (25) - (18)

**Docket No. MC2005-2 Data Collection Report
HSBC NSA
January 2007 - December 2007**

USPS HSBC NSA January 2008 - December 2008

Appendix A: page 2

Marketing Mail Revenue per Piece

HSBC Marketing Mail
First-Class Mail By Rate Category
January 2008 - Decembet 2008 Presorted Letter Volumes

	(1) 2008 <u>Volume</u>	(2) Average Revenue <u>per piece</u>		(3) <u>Revenue</u>
Nonautomated Presorted Letters				
First Ounce	361,759	\$0.389	\$	140,652
Additional Ounces	-	\$	-	-
Nonmachinable Pieces	-	\$	-	-
Heavy Piece Deduction	-	\$	-	-
Total Nonautomated Presorted Letters	361,759		\$	140,652
Total Nonautomated Presorted Letters Revenue			\$	140,652
Automation Presort Letters				
Letters	19,740,716			
Mixed AADC Letters	3,556,092	\$0.365	\$	1,298,329
AADC Letters	2,379,457	\$0.344	\$	818,295
3-Digit Letters	10,166,110	\$0.337	\$	3,430,046
5-Digit Letters	3,639,057	\$0.316	\$	1,148,122
Additional Ounces	-	\$	-	-
Heavy Piece Deduction	-	\$	-	-
Total Automation Presort Letters	19,740,716		\$	6,694,792
Total Automation Presort Letters			\$	6,694,792
Automation Carrier Route Letters				
First Ounce	-	\$	-	-
Additional Ounces	-	\$	-	-
Heavy Piece Deduction	-	\$	-	-
Total Automation Carrier Route Letters	-		\$	-
Total Automation Carrier Route Letters Revenue			\$	-
Total HSBC First-Class Presort Letters	20,102,475		\$	6,835,444
		Revenue per Piece	\$	0.3400

(1) and (2) PostalOne!

(3) = (1) * (2)

Docket No. MC2005-2 Data Collection Report
 HSBC NSA
 January 2007 - December 2007

USPS HSBC NSA January 08-December 08
 Appendix A: page 3
 Marketing Mail Cost per Piece

HSBC FIRST-CLASS MAIL MARKETING PRESORT LETTERS UNIT COST ESTIMATE:

HSBC Solicitation Return Percentage =	0.0%	(1) Adjusted for Actuals
HSBC Statement Return Percentage =	0.0%	(2)
Average Presort Letters Return Percentage =	0.00%	(3)
Before Rates Customer Mail Volume =	-	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =	20,102,475	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.353	(6)
Electronic Returns Unit Cost =	\$0.142	(7)
Address Change Service (ACS) Success Rate =		(8) Adjusted for Actuals
Contingency Factor =	1.000	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY2008 NATIONWIDE MAIL MIX						January 2008 - December 2008 HSBC MAIL MIX							
Rate Category	FY 2008 Mail Proc Unit Cost (Dollars)	FY 2008 Delivery Unit Cost (Dollars)	FY 2008 Other Unit Cost (Dollars)	FY 2008 Total Unit Cost (Dollars)	FY 2008 Mail Volume (Pieces)	FY 2008 Mail Volume (Percent)	FY 2008 Total Unit Cost (Dollars)	FY 2008 Mail Volume (Pieces)	FY 2008 Mail Volume (Percent)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)	
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$0.078	\$0.044	\$0.017	\$0.139	1,530,008,344	3.16%	\$0.139	361,759	1.80%					
Automation Presort Letters														
Automation Mixed AADC	\$0.084	\$0.045	\$0.017	\$0.146	2,980,110,056	6.16%	\$0.146	3,556,092	17.69%					
Automation AADC	\$0.065	\$0.042	\$0.017	\$0.124	2,388,754,900	4.94%	\$0.124	2,379,457	11.84%					
Automation 3-Digit	\$0.062	\$0.042	\$0.017	\$0.121	20,157,561,454	41.67%	\$0.121	10,166,110	50.57%					
Automation 5-Digit	\$0.004	\$0.040	\$0.017	\$0.061	21,323,292,062	44.07%	\$0.061	3,639,057	18.10%					
WEIGHTED AVERAGE / TOTAL	\$0.038	\$0.042	\$0.017	\$0.097	48,379,726,816	100.00%	\$0.115	20,102,475	100.00%	\$0.0000	\$0.1151	\$0.0000	\$0.1151	
							Total Unit Cost Estimates, including Contingency =				\$0.1151		\$0.1151	
											Current (24)		After Rates (25)	

- (1) Actual Return Rate - HSBC did not participate in ACS
- (2) Actual Return Rate - HSBC did not participate in ACS
- (3) N/A since HSBC did not participate in ACS
- (4) This worksheet only addresses cost of marketing mail (i.e., solicitation mail)
- (5) Actual Volume
- (6) PARS08 ACSTabs PRC_v.xls, Tables 5.4, 5.5, & 5.9
- (7) PARS08 ACSTabs PRC_v.xls, Tables 5.4, 5.5, & 5.9
- (8) Actual ACS Success Rate -N/A since HSBC did not participate in ACS
- (9) Docket No. MC2004-4
- (10) Intentionally left blank
- (11) USPS-FY08-27
- (12) USPS-FY08-27
- (13) USPS-FY08-27

- (15) USPS FY 2008 RPW
- (16) (15) / [Sum (15)]
- (17) Line Item (14), Total - Allocated by (19)
- (18) Attachment A, Page 2, Column (1) (FY 2007 Volume)
- (19) (18) / [Sum (18)]
- (20) (6) * [(4) * [(2) - (3)] + (5) * [(1) - (3)]] / [(4) + (5)]
- (21) Sum (17) + (20)
- (22) [(8) * (7) + [1 - (8)] * (6)] * [(5) * [(1) - (3)]] + (6) * (4) * [(2) - (3)] / [(4) + (5)] - (3) * ((6) - (7)) * (8) * (5) / ((4) + (5))
- (23) Sum (17) + (22)
- (24) (21) * (9)
- (25) (23) * (9)

Docket No. MC2005-2 Data Collection Report
HSBC NSA
January 2007 - December 2007

USPS HSBC NSA January 08-December 08
Appendix A: page 4
Statement Mail Revenue per Piece

HSBC Statement Mail
 First-Class Mail By Rate Category
 January 2008 - December 2008 Presorted Letter Volumes

	(1)	(2)	(3)
	2008	Average Revenue	
	Volume	per piece	Revenue
Nonautomated Presorted Letters			
First Ounce	17,754,942	\$ 0.386	\$ 6,844,530
Additional Ounces	0	\$ -	-
Nonmachinable Pieces	0	\$ -	-
Heavy Piece Deduction	0	\$ -	-
Total Nonautomated Presorted Letters	17,754,942		\$ 6,844,530
Total Nonautomated Presorted Letters Revenue			\$ 6,844,530
Automation Presort Letters			
Letters	434,628,750		
Mixed AADC Letters	19,266,535	\$ 0.386	\$ 7,434,956
AADC Letters	36,591,282	\$ 0.350	\$ 12,806,949
3-Digit Letters	320,615,179	\$ 0.346	\$ 111,061,098
5-Digit Letters	58,155,754	\$ 0.324	\$ 18,825,018
Additional Ounces	-	\$ -	-
Heavy Piece Deduction	0	\$ -	-
Total Automation Presort Letters	434,628,750		\$ 150,128,020
Total Automation Presort Letters Revenue			\$ 150,128,020
Automation Carrier Route Letters			
First Ounce	-	\$ -	-
Additional Ounces	-	\$ -	-
Heavy Piece Deduction	-	\$ -	-
Total Automation Carrier Route Letters	-		\$ -
Total Automation Carrier Route Letters Revenue			\$ -
Total HSBC First-Class Presort Letters	452,383,692		\$ 156,972,550
Revenue per Piece			\$ 0.3470

(1) and (2) PostalOne!
 (3) = (1) * (2)

Docket No. MC2005-2 Data Collection Report
 HSBC NSA
 January 2007 - December 2007

USPS HSBC NSA January 08-December 08
 Appendix A: page 5
 Statement Mail Cost per Piece

HSBC FIRST-CLASS MAIL STATEMENT PRESORT LETTERS UNIT COST ESTIMATE:

HSBC Solicitation Return Percentage =	0.0%	(1) Adjusted for Actuals
HSBC Statement Return Percentage =	0.0%	(2)
Average Presort Letters Return Percentage =	0.00%	(3)
Before Rates Customer Mail Volume =	452,383,692	(4) Adjusted for Actuals
Before Rates Solicitation Mail Volume =	-	(5) Adjusted for Actuals
Manual Returns Unit Cost =	\$0.353	(6)
Electronic Returns Unit Cost =	\$0.142	(7)
Address Change Service (ACS) Success Rate =	0.0%	(8) Adjusted for Actuals
Contingency Factor =	1.000	(9)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
	FY 2008 NATIONWIDE MAIL MIX							January 2008 - December 2008 HSBC MAIL MIX						
Rate Category	FY 2008 Mail Proc Unit Cost (Dollars)	FY 2008 Delivery Unit Cost (Dollars)	FY 2008 Other Unit Cost (Dollars)	FY 2008 Total Unit Cost (Dollars)	FY 2008 Mail Volume (Pieces)	FY 2008 Mail Volume (Percent)		FY 2008 Total Unit Cost (Dollars)	FY 2008 Mail Volume (Pieces)	FY 2008 Mail Volume (Percent)	Current Returns Adjustment Unit Cost (Dollars)	Current w/Rets Adj Total Unit Cost (Dollars)	After Rates Returns Adjustment Unit Cost (Dollars)	After Rates w/Rets Adj Total Unit Cost (Dollars)
FIRST-CLASS MAIL LETTERS														
Nonautomation Presort Letters	\$0.078	\$0.044	\$0.017	\$0.139	1,530,008,344	3.16%		\$0.139	17,754,942	3.92%				
Automation Presort Letters														
Automation Mixed AADC	\$0.084	\$0.045	\$0.017	\$0.146	2,980,110,056	6.16%		\$0.146	19,266,535	4.26%				
Automation AADC	\$0.065	\$0.042	\$0.017	\$0.124	2,388,754,900	4.94%		\$0.124	36,591,282	8.09%				
Automation 3-Digit	\$0.062	\$0.042	\$0.017	\$0.121	20,157,561,454	41.67%		\$0.121	320,615,179	70.87%				
Automation 5-Digit	\$0.004	\$0.040	\$0.017	\$0.061	21,323,292,062	44.07%		\$0.061	58,155,754	12.86%				
WEIGHTED AVERAGE / TOTAL	\$0.038	\$0.042	\$0.017	\$0.097	48,379,726,816	100.00%		\$0.115	452,383,692	100.00%	\$0.0000	\$0.1152	\$0.0000	\$0.1152
								Total Unit Cost Estimates, Including Contingency =			\$0.1152 Current (24)		\$0.1152 After Rates (25)	

- (1) Actual Return Rate
- (2) Actual Return Rate
- (3) N/A since HSBC did not participate in ACS
- (4) PostalOne!
- (5) This worksheet only addresses cost of statement mail (i.e., customer mail)
- (6) PARS08 ACSTabs PRC_v.xls, Tables 5.4, 5.5, & 5.9
- (7) PARS08 ACSTabs PRC_v.xls, Tables 5.4, 5.5, & 5.9
- (8) Actual ACS Success Rate - N/A since HSBC did not participate in ACS
- (9) Docket No. MC2004-4
- (10) Intentionally left blank
- (11) USPS-FY08-27
- (12) USPS-FY08-27
- (13) USPS-FY08-27
- (14) (11) + (12) + (13)

- (15) USPS FY 2008 RPW
- (16) (15) / [Sum (15)]
- (17) Line Item (14), Total - Allocated by (19)
- (18) Attachment A, Page 4, Column 1, FY 2007
- (19) (18) / [Sum (18)]
- (20) (6) * [(4) * [(2) - (3)] + (5) * [(1) - (3)]] / [(4) + (5)]
- (21) Sum (17) + (20)
- (22) [(8) * (7) + [1 - (8)] * (6)] * [(5) * [(1) - (3)]] + (6) * (4) * [(2) - (3)] / [(4) + (5)] - (3) * ((6) - (7)) * (8) * (5) / ((4) + (5))
- (23) Sum (17) + (22)
- (24) (21) * (9)
- (25) (23) * (9)

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HSBC NSA
January 2007 - December 2007

HSBC						
Appendix A, page 6						
Standard Mail unit contribution	(1) Volume %	(2) Volume	(3) Rates	(4) Revenue	(5) Unit Cost	(6) Contribution
Standard Mail Regular Revenue per piece						
Letter-size Mail Category						
Mixed AADC Auto	7.0568%	22,350,968	\$0.252	\$5,642,520	0.1419	
AADC Auto	7.0137%	22,214,632	\$0.236	\$5,250,987	0.1244	
3-Digit Auto	43.6478%	138,246,105	\$0.211	\$29,173,424	0.1221	
5-Digit Auto	32.2605%	102,178,855	\$0.183	\$18,651,811	0.1041	
Mixed ADC	1.6501%	5,226,408	\$0.251	\$1,309,352	0.1117	
ADC	0.6588%	2,086,638	\$0.238	\$496,964	0.1243	
3-Digit	0.0008%	2,448	\$0.416	\$1,018	0.4001	
5-Digit	0.0079%	25,021	\$0.293	\$7,336	0.3006	
Total		292,331,075		\$60,533,412		
Letter-size Standard Mail ECR						
Mail Category						
Basic Nonauto Letters	0.9113%	2,886,297	\$0.188	\$543,091	0.2252	
High Density Letters	0.1151%	364,644	\$0.145	\$52,830	0.0514	
Saturation Letters	6.6772%	21,148,702	\$0.136	\$2,871,356	0.0619	
Total		24,399,643		\$3,467,277		
Weighted Average per piece						
	100%	316,730,718	\$0.202		\$0.115	\$0.088

- (1) Percentage of Rate Category volume to Total Standard Mail volume
- (2) Permit System
- (3) Permit System
- (4) Permit System
- (5) USPS-FY08-27
- (6) Average Revenue per piece minus weighted average cost per piece.