

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

Modification of Analytic Principles in Periodic
Reporting (Proposals Three through Nineteen)

Docket No. RM2009-10

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued September 18, 2009)

To clarify the basis of Proposals Eleven and Eighteen, the Postal Service is requested to provide a written response to the following questions. Responses should be provided by September 28, 2009.

Proposal Eleven

1. Please refer to USPS-RM2009-10-NP1, and the Excel files Reports.xls and Reports (Booked).xls.
 - (a) Refer to the worksheet "A Pages (md)" in each Excel file. Please reconcile and explain why the number of pieces for International Business Reply Mail Service in Reports (Booked).xls is less than the number of pieces for International Business Reply Mail Service in Reports.xls.
 - (b) Refer to the worksheet "A Pages (md)" in each Excel file. Please reconcile and explain why the number of pieces for outbound international Registered Mail in Reports (Booked).xls is less than the number of pieces for outbound international Registered Mail in Reports.xls.
 - (c) Refer to the worksheet "A Pages Summary" in each Excel file. Please reconcile and explain why the number of pieces for Outbound International Expedited Services in Reports (Booked).xls is less than the number of pieces for Outbound International Expedited Services in Reports.xls.

- (d) Refer to the worksheet "A Pages Summary" in each Excel file. Please reconcile and explain why the number of pieces for Outbound International Negotiated Services Agreement Mail in Reports (Booked).xls is greater than the number of pieces for Outbound International Negotiated Services Agreement Mail in Reports.xls.
2. Please refer to USPS-RM2009-10-NP1, and the Excel file Reports (Booked).xls, worksheet "Revenue Reconciliation w RPW," which states the following in the note (*): "Express Mail International in [the] RPW includes revenue of \$[REDACTED] for GPD contracts, whereas, the ICRA reports this revenue under the International NSA, GPD contracts."
 - (a) The figure in column "Difference" for the Total Expedited Services is less than the figure in the Column "Difference" for International NSAs. Please explain why these "difference" figures are not the same.
 - (b) Please explain why the RPW reports GPD contract revenue with Express Mail International, rather than reporting this revenue in the same manner as the ICRA—under International NSAs, GPD Contracts. Is the Postal Service planning on reporting GPD contract revenue in the same manner in both the RPW and ICRA? Please explain.
3. Please refer to the Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles (Proposals Three – Nineteen), July 28, 2009 (Petition), and the attached text entitled "Proposal Eighteen." At page 3 of the attached text, in footnote 2, it states that "because of the inherent nature of the settlement process, which is where the booked/imputed differences arise, within international products, the material differences occur with inbound revenues and outbound costs, with virtually no changes in inbound costs or outbound revenues." In general, the differences for inbound products show imputed revenues exceeding booked

revenues, while the differences for outbound products show imputed expenses exceeding booked expenses. With respect to Inbound Surface Parcel Post (at UPU Rates), please explain why imputed inbound revenue is less than booked inbound revenue.

4. Please refer to USPS-RM2009-10-NP1, and the Excel file Reports (Booked).xls, worksheet "Cost Reconciliation w CRA." In adjusting ICRA (booked) volume-variable costs to the CRA, line 10 states: "Less ICRA Cost Segments (not identified in RPW)." A similar statement appears in line 11: "Less ICRA Domestic Transportation (not identified in RPW)."
 - (a) Please confirm that the reference to the "RPW" should be the "CRA." If not confirmed, please explain.
 - (b) The adjustment amounts associated with lines 10 and 11 are the same amounts for cost segments and domestic transportation, respectively, associated with IBRS. Please explain why IBRS is the largest unexplained difference between the ICRA and the CRA.

5. Please refer to USPS-RM2009-10-NP1, the Excel file Reports (Booked).xls, and the worksheet "Cost Reconciliation w CRA." In the section CRA "D Report" Identifying Product Specific Costs, for the column headed "Product Specific Including Contingency," please explain, and show all calculations used to derive, the figure in cell H120.

6. Please refer to the Petition and the attached text entitled "Proposal Eleven," including Table One. At page 4 of the attached text, it states: "(The 'cushion' in the proposed alternative is \$74 million.)." Please confirm that the "cushion" in the proposed alternative is \$78.6 million $((8,381,751 - 6,535,657) - (32,136,447 * 0.055))$. If not confirmed, please explain.

Proposal Eighteen

7. Please refer to USPS-RM2009-10-NP2, and the Word document, Prop.18.Impact.doc, which shows the same total domestic transportation cost for foreign origin Surface CP (Parcels) under both the “Present Methodology” and the “Proposed Methodology.” Also, please refer to Docket No. CP2009-36, Library Reference NP1, and the Excel file Reports.xls (herein “FY 2008 ICRA-Revised”), worksheet Pivot3, showing domestic transportation costs for foreign origin Surface Parcels from Canada, Developing Countries (DC), and Industrialized Countries (IC).
 - (a) Please explain why the total domestic transportation cost for foreign origin Surface Parcels under both the Present and Proposed methodologies is less than the sum of the domestic transportation costs for foreign origin Surface Parcels from Canada, DCs, and ICs shown in the FY 2008 ICRA-Revised.
 - (b) Please explain why domestic transportation costs for PQ1 of FY 2008 are imputed from FY 2008 PQ2 – PQ4 TRACS data.

8. Please refer to the Petition and the attached text entitled “Proposal Eighteen.” In Proposal Eighteen, it states that “[T]he new distribution factors would be derived from data collected as part of the Transportation Cost System (TRACS).” Please show the development of each of the new distribution factors and explain why the Postal Service decided to rely on these distribution factors to distribute domestic transportation costs between foreign origin Surface Parcels from Canada (CA) and the Rest of the World (ROW).

By the Chairman.

Ruth Y. Goldway