

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

MARKET DOMINANT PRODUCT PRICES  
BILATERAL  
NEGOTIATED SERVICE AGREEMENT

Docket Nos.  
MC2010-12

MARKET DOMINANT PRODUCT PRICES  
CANADA POST – UNITED STATES POSTAL SERVICE  
CONTRACTUAL BILATERAL AGREEMENT FOR INBOUND  
MARKET DOMINANT SERVICES (MC2010-12)  
NEGOTIATED SERVICE AGREEMENT

R2010-2

**NOTICE OF THE UNITED STATES POSTAL SERVICE OF FILING RESPONSE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 1, QUESTION 8**  
(December 11, 2009)

The United States Postal Service hereby gives notice of filing its response to question 8 of Chairman's Information Request No. 1 in this proceeding, issued on December 4, 2009. An additional document with financial information responsive to question 8(f) is being filed non-publicly, and a redacted version is filed publicly in connection with this Notice. The Postal Service incorporates by reference Attachment 4 to its Request to Add Canada Post – United States Postal Service Contractual Bilateral Agreement for Inbound Market Dominant Services to the Market Dominant Product List, Notice of Type 2 Rate Adjustment, and Notice of Filing Agreement (Under Seal), Docket Nos. MC2010-12 and R2010-2, November 19, 2009.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business

Jacob D. Howley

475 L'Enfant Plaza, S.W.  
Washington, D.C. 20260-1137  
(202) 268-8917; Fax -6187  
jacob.d.howley@usps.gov  
December 11, 2009

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DOCKET NOS. MC2010-12 AND DOCKET NO. R2010-2  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

8. The following questions refer to the development of unit costs in sheet "07\_Stream\_Unit\_Cost\_Inputs".
- a. Please confirm that the methodology the Postal Service employs for calculating shape specific unit mail processing attributable cost for Air LC is to (1) multiply unit cost for Air LC by the total volume of Air LC to obtain the total Air LC attributable mail processing cost, (2) for each shape, multiply total Air LC mail processing attributable cost by the applicable shape-related FY08 Canada IOCS Dollar Weighted Tallies percentage to obtain the total Air LC mail processing attributable cost for each shape, and (3) divide the total Air LC mail processing attributable cost for each shape by the number of Air LC pieces of that shape to obtain the Air LC unit mail processing attributable cost by shape.
  - b. Please confirm that the volume used in step one of the methodology described above is the volume from Canada FY08 IB SIRVI Data for All Countries. Please confirm that this is only LC/AO volume.
  - c. Please confirm that the total LC/AO volume from Canada based on "Canada FY08 IB SIRVI Data for All Countries" is the sum of the amounts in cells C152 and D152. If not confirmed, please explain.
  - d. If 8(c) is confirmed, please confirm that this value differs from the volume in tab "DomTransWT4" in worksheet PRC-ACR2008-NP-LR3\_WB2 in PRC-ACR2008-NP-LR3.
  - e. Please confirm that when multiplying by the volume in step (1) of the procedure above using the Canada FY08 IB SIRVI Data for All Countries for Air LC and performing a similar calculation for Surface AO, the sum of the mail processing costs derived do not produce the IOCS attributable cost found in tab "IOCSWT2" in worksheet PRC-ACR2008-NP-LR3\_WB2 in PRC-ACR2008-NP-LR3.
  - f. If 8(e) is confirmed, please provide a revised calculation of processing, delivery and other unit costs that reflect the IOCS attributable costs found in tab "IOCSWT2" in worksheet PRC-ACR2008-NP-LR3\_WB2 in PRC-ACR2008-NP-LR3.

**RESPONSE**

- a. Confirmed. The methodology is as follows:

(1) Canada specific mail processing costs from PRC-ACR2008-NP-LR3\_WB2 are multiplied by Canada FY08 IB SIRVI Data.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DOCKET NOS. MC2010-12 AND DOCKET NO. R2010-2  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

- (2) The total processing costs for ALC and SAO calculated in step (1) are multiplied by the applicable shape-related FY08 Canada IOCS Dollar Weighted Tallies percentage to obtain the total Air LC mail processing attributable cost for each shape.
- (3) The corresponding processing costs per shape derived in step (2) are divided by the number of Canada Air LC pieces of that shape to obtain the Air LC and Surface AO unit mail processing attributable cost by shape.
- b. Confirmed.
  - c. Confirmed.
  - d. Confirmed.
  - e. Confirmed.
  - f. A revised calculation is provided in the Microsoft Excel document entitled "Canada\_PRC\_Calculation\_2009 12 11.xls," which is filed non-publicly in connection with this response. That document shows the buildup of the processing unit costs per shape, as well as what the total processing costs per shape would be if it were possible to break ICRA volume down by shape.

As explained in response to (a)-(e) above, SIRVI data was used to break out processing unit costs by shape, because it is not possible to break out ICRA volume by shape. The product of processing unit costs per shape and SIRVI volume per shape is equal to the unit cost derived from PRC-ACR2008-NP-LR3\_WB2 multiplied by total Canada volume from SIRVI. This is not equal to the unit cost multiplied by ICRA volume because SIRVI volume and ICRA volume are not equivalent.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
DOCKET NOS. MC2010-12 AND DOCKET NO. R2010-2  
CHAIRMAN'S INFORMATION REQUEST NO. 1**

In the revised calculation responsive to this question, we assumed that the ICRA volume would have the same shape distribution as SIRVI volume. The processing cost according to ICRA volume is equal to the total processing cost found in PRC-ACR2008-NP-LR3\_WB2, Tab IOCSWT2, Cost Segments 2 plus 3. Because the SIRVI volume is used solely for weighting purposes, the use of SIRVI volume instead of ICRA volume has no bearing on the overall processing costs put forth in the model, as the unit costs derived here are eventually factored against volume from the 13th Canada invoice to arrive at total calculated cost.