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

Annual Compliance Report, 2009 Docket No. ACR2009

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued January 22, 2010)

To clarify the basis of the Postal Service's estimates in its Annual Compliance Report, filed December 29, 2009, 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 2, 2010.

Competitive Products

1. Please disaggregate the FY 2009 Non-Presort, BMC Presort, and OBMC Presort Parcel Select billing determinants by quarter to reflect the Inter-BMC and Intra-BMC rate structure that was in place from October 1, 2008 to May 10, 2009.

2. Please provide billing determinants for the Express Mail Sunday Delivery price category.

3. Please provide an explanation of the "PRS Paying Priority Mail Postage" adjustment made in Library Reference USPS-FY09-NP1, Excel file "2009 Parcel Return Service BD.xls".

4. Please provide the "Special Weight Report" referenced in Library Reference USPS-FY09-NP1, Excel file "2009 Priority Mail BD.xls".

5. For the Parcel Select Volume and Loyalty Incentives that have been in place since May 2008, please provide data detailing refunds and discounts awarded to mailers.

6. In LR-FY09-NP27, File “Support_Express_FY09.xls,” tab “Inputs,” cell B69 contains the sources for calculating cell C21. The formula in cell C21 is: C4 - (C6 + C8 + C15 + C17 + C48).
   (a) Please confirm that C19 should be subtracted from C4 to match the formula stated in cell B69. If not confirmed, please explain.
   (b) If subpart A is confirmed, please update Support_Express_FY09.xls and all files that use that spreadsheet as an input.

7. In LR-FY09-NP27, File “Support_Express_FY09.xls,” tab “Inputs,” please confirm that the source of cell C19 is LR-FY09-NP29 sheet “RealTB09NP.xls,” tab “seg 16,” cell K197. If not confirmed, please explain and identify the source of cell C19.

8. Please identify the Library Reference, File Name, Tab Name, and cell number of the source for cell E47 in the LR-FY09-NP27 file “SupportPriority_FY09.xls,” tab “Inputs”. If the source file has not been provided in this case, please submit it.

9. Please identify the Library Reference, File Name, Tab Name, and cell number of the source for cell E30 in the LR-FY09-NP27 file “SupportPriority_FY09.xls,” tab “Inputs”. If the source file has not been provided in this case, please submit it.

10. In LR-FY09-NP27 File “SupportPriority_FY09,” tab “Inputs,” please confirm that the source of cell E28 is LR-FY09-NP29, sheet “RealTB09NP.xls,” tab ”seg 16,” cell K198. If not confirmed, please explain and identify the source of cell E28.

11. In LR-FY09-NP27, file “SupportPriority_FY09.xls,” tab “Inputs,” cell E32 contains the formula: E4 - (E7 + E19 + E24 + E26 + E58).
    (a) Please confirm that E28 and E30 should also be subtracted from E4 in the calculation of E32.
    (b) If you do not confirm, please explain.

12. The following questions concern LR-FY09-NP27, file “NSACostRevenueSummaryFY09.xls,” and the underlying partner profiles.
    (a) Please confirm that no information for the following contracts is contained in LR-FY09-NP27:

        CP2008-7
        CP2008-14
        CP2008-15
        CP2009-1
        CP2009-9
        CP2009-12
        CP2009-15
        CP2009-16
        CP2009-22
        CP2009-28
        CP2009-41
        CP2009-57
        CP2009-58
        CP2009-62
        CP2009-64

(b) For each contract under which mail was sent in FY09, please update "NSACostRevenueSummaryFY09.xls" and underlying partner profile files to reflect FY09 volumes, weights, revenues, and costs.

13. In LR-FY09-NP27, file "NSACostRevenueSummaryFY09.xls":

(a) Please identify the source of the volume data in column D. If such source information has not been provided in this case, please submit this information.

(b) Please identify the source of the weight data in column E. If such source information has not been provided in this case, please submit this information.

(c) Please identify the source of the revenue data in column C. If such source information has not been provided in this case, please submit this information.

(d) Please confirm the volume, revenue, weight and cost data for each partner profile contained in LR-FY09-27 do not match the corresponding information by contract in file "NSACostRevenueSummaryFY09.xls." Please explain.

(e) If part "d" is confirmed, update and provide the partner profile data for FY09 and link all data to the file "NSACostRevenueSummaryFY09.xls".

International

14. The following questions pertain to the quality of service link to terminal dues.

    (a) For CY 2008, please provide the final monthly and annual quality of service measurement results for the link to terminal dues that were provided to the Postal Service by the International Post Corporation or its contractor.

    (b) For Quarter 4 of CY 2009, please provide the monthly quality of service measurement results for the link to terminal dues that were provided to the Postal Service by the International Post Corporation or its contractor.

    (c) For each quarter (*i.e.*, Quarters 1, 2, and 3, covering the period January – October 2009) of CY 2009, and for CY 2009 Year-to-Date, please provide the preliminary monthly quality of service measurement results for the link to terminal dues that were provided to the Postal Service by the International Post Corporation or its contractor.

    (d) Please confirm that the Postal Service is submitting queries to the International Post Corporation or its contractor concerning questionable test items and panelists. If confirmed, please identify the number and subject matter of such inquiries. If those queries are resolved in favor of the Postal Service, please provide the expected change in the performance scores and the impact on revenue.

15. Please provide attributable costs for inbound international mail products separated among Canada, Target Countries, and Transition Countries. In the past, the Postal Service has conducted a special IOCS tally study for the purpose of separating IOCS-related attributable costs among Canada, Target Countries, and Transition Countries. *See* the Postal Service response to Docket No. ACR2008, Commission Information Request No. 1, January 22, 2009, Question 3. Please provide the requested attributable cost separation using the special

IOCS tally study. Also, please provide supporting workpapers in electronic format.

16. The following question concerns inbound international mail. For FY 2009, please provide the number of cubic feet separately for inbound Air LC/AO, Surface LC/AO, Surface Parcel Post, Air Parcel Post, and Express Mail Service (EMS) from Canada and the rest of the world (separated by ICs and DCs, if possible).

17. Please refer to USPS-FY09-NP2, Excel file “Reports (Booked).xls”, worksheet A-Pages (md), Table A-1, and worksheet A-Pages (c), Table A-2. Also, please refer to the Postal Service’s FY 2009 Annual Compliance Report (ACR).

(a) For inbound Single-Piece First-Class Mail International at non-UPU rates from Target System Countries and inbound Surface Parcel Post at non-UPU rates, please explain why costs exceed revenues. Please describe what steps the Postal Service will take to ensure that revenues exceed attributable costs by increasing revenues and reducing costs in the future.

(b) With respect to inbound Surface Parcel Post at non-UPU rates, please refer to page 78 (revised January 6, 2010) of the ACR which states “new, higher rates were implemented in January 2009, and so the first quarter of the fiscal year would have been tendered at lower rates.” Please explain to what extent the lower rates during the first quarter of FY 2009 were responsible for costs exceeding the revenues of inbound Surface Parcel Post at non-UPU rates during FY 2009.

(c) In the Postal Service’s FY 2008 Annual Compliance Report, December 29, 2008, at 64-65, the Postal Service stated that it had undertaken to improve the financial performance of inbound Surface Parcel Post at non-UPU rates “through the negotiation of new rates for inbound parcels tendered by Canada Post,” which became effective January 2009. Using “imputed” revenues and costs, the cost coverage for inbound Surface

Parcel Post at non-UPU rates in FY 2009 was less than the cost coverage in FY 2008. Please explain why the new rates for inbound parcels tendered by Canada Post not only failed to result in revenues that exceeded costs, but also failed to improve cost coverage over FY 2008.

18. Please refer to USPS-FY09-NP2, Excel file “Reports (Booked).xls”, worksheet A-Pages (c), Table A-2. Also, please refer to the Postal Service’s FY 2009 Annual Compliance Report at 78 (revised January 6, 2010), which references the Commission’s Annual Compliance Determination at 88. Please discuss the results of the Postal Service’s efforts to date in analyzing IMTS “‘to better estimate volume variable (and product-specific) costs by identifying ‘specific cost drivers’ for this service.’” *Id.*

19. Please refer to USPS-FY09-NP2, Excel file “Reports (Booked).xls”, worksheet A-Pages (c), Table A-1.

(a) For inbound International Expedited Services, please explain why costs exceed revenues. Please describe what steps the Postal Service will take to ensure that revenues exceed attributable costs by increasing revenues and reducing costs in the future.

(b) Within the outbound competitive International Ancillary (Special) Service product, the Postal Service reports revenues and costs for the following three services: Registered Mail, Return Receipt, and Insurance. For each of these services, and thus for the outbound competitive International Ancillary Service product as a whole, reported costs exceed revenues. Please describe what steps the Postal Service will take to ensure that revenues exceed attributable costs by increasing revenues and reducing costs in the future.

20. Please refer to USPS-FY09-NP2, Excel file "Reports (Booked).xls", worksheet A Pages Summary, and worksheet A-Pages (c), Table A-2.

    (a) Volumes, revenues and costs for Inbound Direct Entry and International Business Reply Service (IBRS) Contracts, shown in worksheet A-Pages (c), Table A-2, are reported as Outbound International in worksheet A Pages Summary, under the heading International Negotiated Service Agreements. Please clarify.

    (b) In worksheet A-Pages (c), Table A-2, there are two headings entitled Inbound International. Under the first Inbound International heading are found the following entries: Inbound Direct Entry and International Business Reply Service (IBRS) Contracts. Under the second Inbound International heading are found the entries Global Direct Entry with Customers, Global Direct Entry with Foreign Postal Administrations, and International Business Reply Service (IBRS) Contracts. Please explain the nature of the services offered under each entry and why there are duplicate entries for Global Direct Entry and International Business Reply Service (IBRS) Contracts.

21. Please refer to USPS-FY09-NP2, and the Excel files Reports.xls and Reports (Booked).xls. In the worksheet A Pages Summary in Reports.xls, the reported figure is labeled Transit Revenue while a different figure in the worksheet A Pages Summary in Reports (Booked).xls is labeled Transit Revenue and International Fees. Please explain.

22. On page 10 and 11 of the FY 2009 ACR the Postal Service states:

> In Quarter 1 of FY09, the San Francisco International Service Center (ISC) ceased processing of outbound mail. That outbound volume was processed at the Los Angeles ISC. This was followed in Quarter 4 by the consolidation of all outbound mail processing into the New York ISC.

Please confirm that the Los Angeles ISC was closed during FY 2009, and that all outbound letter mail processing was shifted to the New York ISC. Also, please identify the location(s) of International Service Center(s) engaged in processing inbound LC/AO mail.

23. In USPS-FY09-NP8, please refer to the Excel files ICM_Costing_FY09 Merged Results by Contract (Booked).xls, worksheet report, and USPS-LR-NP08_COMPETITIVE_INTL_BD.xls, worksheet INTERNATIONAL NSA –ICM.

(a) Please provide a crosswalk between the contract numbers in the worksheet report and the docket numbers shown in the worksheet INTERNATIONAL NSA –ICM.

(b) In the worksheet report, please reconcile the Grand Total in the Total Sum of Adj Revenue column with the sum of the figures in the Revenue column shown in worksheet INTERNATIONAL NSA –ICM. Please show all calculations.

(c) Please update the Excel file USPS-LRNP08_COMPETITIVE_INTL_BD.xls to incorporate the FY 2009 revenues, costs, volumes, and weights for each contract in the following dockets:

CP2008-7
CP2008-14
CP2008-15
CP2009-1
CP2009-9
CP2009-12
CP2009-15
CP2009-16
CP2009-22
CP2009-28
CP2009-41
CP2009-57
CP2009-58
CP2009-62
CP2009-64

24. In USPS-FY09-NP8, please refer to the Excel file ICM_Costing_FY09 Merged Results by Contract (Booked).xls, and the worksheet report.

(a) Please show all calculations used to derive the figures in columns headed Adj Revenue, RevenueCostRatio, and Total Sum of RevenueCostRatio, and provide citations to all sources used.

(b) Please explain the terms Current and Prior as used in the heading of the worksheet report.

Miscellaneous

25. The following worksheets are referenced in I_FORMS-NP as inputs to the City Carrier Cost System (CCCS), and the Rural Carrier System (RCS):

CCCS_FY2009_COLLECTION_FINAL.XLS
CCCS_MATRIX_FY09_FINAL.XLS
RCCS_FY2009_COLLECTION_FINAL.XLS
RCCS_MATRIX_FY09_FINAL.XLS
SPR_OUTPUT_FY09_FINAL.XLS

Please identify where these worksheets can be found in the ACR filing. If they have not been filed with the ACR, please provide.

By the Chairman.

Ruth Y. Goldway