

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

ANNUAL COMPLIANCE REPORT, 2009

Docket No. ACR2009

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
1-4, 6-11, AND 14-25 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(February 5 2010)

Chairman's Information Request No. 3 was issued on January 29, 2010. Responses were requested by February 5, 2010. Attached are the Postal Service's responses to Questions 1-4, 6-11, and 14-25. Each request is stated verbatim, and followed by the response. Responses to Question 5 will be provided subsequently.

With regard to Questions 12 and 13, the Postal Service questions whether the subject matter raised has any bearing on the Commission's responsibilities under section 3653, because the wait time in line data requested do not relate to the level of service for individual market dominant products. Rather, those data potentially relate only to the retail experience generally, which is not a matter within the scope of the annual compliance determination. Consequently, the Postal Service perceives no utility to providing that information in the context of the ACR/ACD process. In other contexts,

though, that information might have relevance, and thus perhaps could be provided.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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February 5, 2010

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1. For all 3-digit ZIP Code pairs, please identify for First-Class Mail by product the number of days-to-deliver upgrades and the number of days-to-deliver downgrades that occurred in FY 2009.

RESPONSE:

Service standard upgrades/downgrades are implemented on quarterly basis.

Attached to this response electronically is a file designated as ChIR.3.Q1t4.Attach.xls.

It contains spreadsheets that identify each of the 62 FY 2009 First-Class Mail 3-digit ZIP Code origin destination pair service standard upgrades or downgrades.

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2. For all 3-digit ZIP Code pairs, please identify for Periodicals by product the number of days-to-deliver upgrades and the number of days-to-deliver downgrades that occurred in FY 2009 for:
 - (a) Origin entered (end-to-end);
 - (b) and Dropshipped mail.

RESPONSE:

Service standard upgrades/downgrades are implemented on a quarterly basis.

Accompanying this response is a file designated as ChIR.3.Q1t4.Attach.xls. It contains spreadsheets that identify each of the 1169 FY 2009 Periodicals Mail 3-digit ZIP Code origin destination pair service standard upgrades or downgrades responsive to subpart (a) and the 83 responsive to subpart (b).

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3. For all 3-digit ZIP Code pairs, please identify for Standard Mail by product the number of days-to-deliver upgrades and the number of days-to-deliver downgrades that occurred in FY 2009 for:
 - (a) Origin entered (end-to-end);
 - (b) and Dropshipped mail.

RESPONSE:

Service standard upgrades/downgrades are implemented on a quarterly basis.

Accompanying this response is a file designated as ChIR.3.Q1t4.Attach.xls. It contains spreadsheets that identify each of the 3985 FY 2009 Standard Mail 3-digit ZIP Code origin destination pair service standard upgrades or downgrades responsive to subpart (a) and the 102 responsive to subpart (b).

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4. For all 3-digit ZIP Code pairs, please identify for Package Services mail by product the number of days-to-deliver upgrades and the number of days-to-deliver downgrades that occurred in FY 2009 for:
 - (a) Origin entered (end-to-end);
 - (b) and Dropshipped mail.

RESPONSE:

Service standard upgrades/downgrades are implemented on a quarterly basis.

Attachment ChiR.3Q1t4.xls contains spreadsheets that identify each of the 939

FY 2009 Package Services Mail 3-digit ZIP Code origin destination pair service

standard upgrades or downgrades responsive to subpart (a) and the 102 responsive to subpart (b).

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6. Please provide:

- a. A copy of the FY 2009 collection box database in an EXCEL format as of the end of FY 2009;
- b. The total number of boxes removed during FY 2009;
- c. The percent of the remaining collection boxes for which the last mail pick up time was advanced, i.e., made earlier; and
- d. The proportion of collection boxes for which the last mail pick-up time is after:
 - i. 12:00 noon;
 - ii. 3:00 p.m.;
 - iii. 5:00 p.m.; and
 - iv. 7:00 p.m.

RESPONSE:

- (a) A complete extract from the Collection Point Management System (CPMS) as of the end of FY2009 will be filed as USPS-FY09-42. This extract contains data on all collection points, of which collection boxes are only one type.
- (b) Based on a review of available CPMS data, 24,105 collection boxes were removed from the system in FY2009.
- (c) 11.7 percent of Monday-to-Friday collections from collection boxes were advanced in FY2009. Of collection boxes with Saturday collections, 8.52 percent of Saturday collections were advanced.
- (d) The percentage of collection boxes with a last pick-up time later than each pertinent time is shown in the table below, as of the end of FY2009. It should be noted that each category represents the percentage of boxes with a last pick-up time *later than* the relevant time, not *at* the relevant time. The categories are also not mutually exclusive: for example, the percentage of collection boxes with a last pick-up time later than 12:00 noon includes all collection boxes with a last

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pick-up time later than 3:00 p.m., which in turn includes all collection boxes with a last pick-up time later than 5:00 p.m.

Time	Monday - Friday	Saturday
12:00 Noon	76.62	53.15
3:00 PM	47.05	15.00
5:00 PM	4.96	1.86
7:00 PM	0.25	0.17

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7. Library Reference USPS-FY09-38 includes two sample surveys. One survey is titled "POS Online Survey Usage and Rating Questions for Market Dominant Products". The other is identified, in part, as the "Large Commercial Business Customer Online Survey...." With respect to these surveys, please

- a. Define the term "large commercial business" customer;
- b. Define the term "residential/small business" customer; and
- c. Explain how medium-sized businesses, i.e., ones that are neither "small" nor "large commercial," are surveyed. If medium-sized businesses are not surveyed, please explain. If they are surveyed, please provide a copy of the applicable sample survey. If not otherwise defined in the survey, please define the businesses being measured by the survey.

RESPONSE:

(a) For purposes of the Large Commercial Business survey conducted during FY 2009, the segment "large commercial business customer" is composed of USPS managed account customers supplemented by large business customers identified through analysis of an internal revenue database and external Dunn and Bradstreet listings.

(b) Residential/small business customers are those not classified as Large Commercial Business customers. For the POS survey, the residential/small business customers are doing business in the retail lobby (the invitation to take the POS survey is printed on the receipt customers get at the window when they conduct a transaction). Medium-sized business are part of the Small Business segment for purposes of the POS online survey in FY 2009, as they visit the Retail lobby to purchase products and services on a regular basis along with Residential household customers.

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RESPONSE to QUESTION 7 (continued)

- (c) For FY2009, medium-sized business customers are surveyed in the same manner as residential/small business customers using the same POS receipt-based survey.

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8. The FY 2009 Annual Compliance Report (at 13) provides annual service performance scores for certain market dominant products. Please provide the annual (or summation of FY 2009 quarters for which data are available) service performance scores for the following:

- a. Presort First-Class Mail overnight, two-day and three-day;
- b. Standard Mail letters and flats; and
- c. Periodicals.

RESPONSE:

Category	2009 Score
(a) Presort First-Class Mail®	
Overnight	94.3
Two-Day	90.1
Three-To-Five-Day	85.0
(b) Standard Mail™ Letter and Flats	83.0
(c) Periodicals	73.7

The scores for Presort First-Class Mail® and Standard Mail™ were calculated using data from a pilot system in which a limited number of mailings tested aspects of Full Service Intelligent Mail®. The Presort First-Class Mail® and Standard Mail™ scores are presented with no geographic volume weighting. The Periodicals score was calculated using data combined from two external measurement systems, the Red Tag Monitoring Service and the Del-Trak System. These results are subject to the limitations described in the quarterly reports posted at <http://www.usps.com/serviceperformance/>.

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9. Please provide an updated copy of the report titled "Emergency Suspensions and Duration (By Area and Duration)" as of the end of the FY 2009 reporting period.

RESPONSE:

A copy is attached electronically as an Excel file entitled:

ChIR.3.Q.9.Emerg.Susp.Update.2.1.10.xls.

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10. Please provide a copy in electronic form of the Postal Service's rules and procedures governing suspension of operations at postal retail facilities.

RESPONSE:

This material was provided in Docket No. N2009-1 in USPS-LR-N2009-1/3 at pages 43-45, and is available on the Commission's website for July 27, 2009.

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11. The RIBBS website (<http://ribbs.usps.gov>) reports that, for FY 2009, the Single-Piece First-Class Mail International service performance target was 94 percent. Please confirm that the 94 percent target applies to:

- a. Inbound International Overnight, Two-Day and Three-Day mail; and
- b. Outbound International Overnight, Two-Day and Three-Day mail.

If you are unable to confirm, please provide the correct service performance targets.

RESPONSE:

a) The 94 percent figure is a composite number for the various single-piece First-Class Mail service standards actually measured. The service performance targets for single-piece First-Class Mail International for FY 2009 for both inbound and outbound mail were as follows:

Overnight	2-Day	3/5- Day
96.50	94.00	92.70

b) See response to subpart (a).

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14. The FY 2009 Annual Compliance Report states (at 13) that “[t]he EXFC system...changed its design to reflect single-piece First-Class Mail volume flows and characteristics....”

- a. Please describe in detail the changes that were made to the design.
- b. Please explain how the number of seed mailpieces to be entered into each postal district is determined under the new design.

RESPONSE:

(a) The design of EXFC changed in two primary ways to reflect single-piece First-Class Mail® characteristics:

Test mail characteristics were modified to more closely match the characteristics of single-piece First-Class Mail® rather than total First-Class Mail®. Data from the ODIS-RPW sampling system was used to estimate key overall population statistics such as proportion of single-piece mail by indicia, proportion by shape, proportion pre-barcoded, the proportion hand-written, etc. A special study was conducted to gather data on additional characteristics not captured in the routine ODIS-RPW samples, such as dimensions, envelope color, presence of window on the envelope, return address type/placement, etc. The special study data and the ODIS-RPW data was compiled and used in the annual EXFC Mail Characteristics Refresh to redesign the “kits” to be used in EXFC for the year. A kit is defined as a set of characteristics that make it unique; characteristics include the shape, size, color, indicia, print-type, and barcode type. In this redesign process, some kits were retired, several new kits were added, and the proportion of test mail assigned to each kit

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RESPONSE to QUESTION 14 (continued)

was changed to more closely match estimates of the single-piece First-Class Mail® population.

Test mail volume flows were designed to follow the single-piece First-Class Mail® flows as estimated by ODIS-RPW rather than using total First-Class Mail® as previously designed. The change was accomplished by creating rolling twelve quarter averages of mail volume estimates of single-piece mail flows between three-digit ZIP Code pairs. These averages were then used in the EXFC sample design process to allocate test pieces, replacing the average volume estimates that had previously been based on total First-Class Mail®.

- (b) EXFC is designed as a destination-based system and produces estimates of service performance at the postal district level by service standard for each quarter. The design for FY09 included the following *minimum* test mail sample pieces mailed to each district each quarter:

4785 pieces from the overnight service standard area;

2285 pieces from the two-day service standard area; and

2685 pieces from the three-to-five-day service standard areas.

Note that the sample size minimum for the Alaska district is 2685 pieces for the overnight service standard area to account for the limited geographic area for which the overnight service standard applies. Origins for the test

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RESPONSE to QUESTION 14 (continued)

mail are selected in proportion to actual single-piece First-Class Mail® volume estimates. For example, if the ODIS-RPW data indicates that 10 percent of the overnight mail going to Northern Virginia originates in Richmond, the EXFC test mail will be created to match that, with the ZIP Code areas determined in a similar manner.

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15. The FY 2009 Annual Compliance Report states (at 10-11) that: “[i]n quarter 1 of FY 2009, the San Francisco International Service Center (ISC) ceased processing [] outbound mail.” It also states that in Quarter 4, all outbound mail processing was consolidated in the New York ISC. “Both of these changes were significant modifications to processing and transportation schemes, and had initial negative impacts on the on-time performance of international mail.” Please explain what steps are being taken to correct the negative impacts the consolidations are having on the on-time performance of international mail.

RESPONSE:

As an initial matter, please note that outbound processing operations of the San Francisco International Service Center (ISC) for First-Class Mail International outbound single-piece letters and flats were shifted to the New York JFK ISC in FY 2009. The San Francisco ISC continues to handle outbound Express Mail International (EMI) and air parcel items as well as international surface air lift (ISAL) and international priority airmail (IPA). Further, the San Francisco ISC receives inbound mail and passes such mail on to the San Francisco Processing and Distribution Center (P&DC) for processing. See also the response to Chairman's Information Request No. 2, Question 22. International Network Operations deals with facility and transportation changes on a regular basis, and they are addressing these changes in the normal fashion through field communications, labeling changes, diagnostic tools, and regular teleconferences between headquarters, area management, and field personnel. All of these measures are designed to ensure that the Postal Service fulfills its objective of ensuring service quality for First-Class Mail International pieces.

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16. The FY 2009 Annual Compliance Report identifies (at 12) the actual annual single-piece First-Class Mail delivery performance scores as (1) Overnight—96.1 percent; (2) Two Day—93.5 percent; and (3) Three Day—90.8 percent. However, the FY 2009 Comprehensive Statement indicates (at 60) that the FY 2009 actual annual single-piece First-Class Mail delivery performance scores are (1) Overnight—96.2 percent; (2) Two Day—93.7 percent; and, Three Day—92.2 percent. Please reconcile these differences and identify the correct performance scores.

RESPONSE:

The scores in the Annual Compliance Report are the final single-piece First-Class Mail® scores for FY09. The single-piece First-Class Mail® scores combine the results from EXFC representing letters, cards, and flats with the parcel results obtained using data from internal USPS systems tracking parcels with Delivery Confirmation™. The scores in the Comprehensive Statement are an entirely different measure. Those scores are the actual EXFC and IMMS combined results, representing the metrics upon which the pay-for-performance plan for First-Class Mail® service performance was based in FY09. The scores in the Annual Compliance Report are the correct single-piece First-Class Mail® scores for FY09.

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17. The FY 2009 Comprehensive Statement indicates (at 60, n.1) that the calculation of Plan and Actual performance scores differ slightly for single-piece First-Class Mail 2-day and 3- to 5-day because the Plan excludes an approximate two-week period.

- a. If the Actual and the Plan scores incorporated the same two-week exclusionary period, would the scores be identical? If not, please explain.
- b. Does the FY 2009 single-piece First-Class Mail Overnight Plan (96.5 percent) score incorporate the identical two-week exclusionary period as noted for the single-piece First-Class Mail 2-day and 3- to 5-day scores? If not, please explain.

RESPONSE:

(a) The scores presented as the “**2009 Actual**” results in the Comprehensive Statement for First-Class Mail® Two-Day and Three-To-Five-Day service standards were the scores after incorporating the defined exclusionary period into the EXFC and IMMS combined scores. That is, these scores were the final year end national pay-for-performance results. As a result, the text in the referenced footnote was not necessary as there is no difference between the periods included in the plan and actual results.

(b) There is no exclusionary period for overnight scores. The exclusionary period is a small adjustment focused on commercial transportation issues. Overnight mail is not generally impacted by such issues. Also note that none of the FY 2009 single-piece First-Class Mail® scores presented in the Annual Compliance Report incorporate an exclusionary period.

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18. Are the terms "Target" scores (<http://ribbs.usps.gov/index.cfm?page=targets>) and "Plan" scores (FY 2009 Comprehensive Statement at 60) synonymous? If not, please explain.

RESPONSE:

They are synonymous.

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19. The FY 2009 Comprehensive Statement states (at 60): "First-Class Mail International uses external sampling to measure performance for domestic legs of inbound and outbound single-piece letters. It was moved to a unit goal in 2010, so [it] is not included as the corporate goal."

- a. Please explain the significance of this change.
- b. Will the Postal Service continue to measure inbound and outbound separately?

RESPONSE:

a) In FY 2009, the "Combined Domestic and International EXFC" measure was an official corporate goal for First-Class Mail. As part of continued refinements for levels of service reporting per the PAEA, the domestic legs for international volume have been separated. Therefore, for FY 2010, the official corporate goal was changed to "Single-Piece First-Class Mail – Domestic." Hence, service performance measurement of single-piece First-Class Mail International (FCMI) is no longer included in the 2010 corporate goal, although IMMS measurements will continue to be collected and reported. The removal of single-piece FCMI from the official corporate goal was due to single-piece FCMI's relatively small size in proportion to single-piece First-Class Mail as a whole, although it was still considered important to measure single-piece FCMI's EXFC service performance.

b) Yes. Per the agreement during the service consultation process with the PRC, international mail measurement system (IMMS) results will continue to be measured and reported separately.

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20. Please provide the spreadsheets which calculate the workyears and the workyear conversion factor found in USPS-FY09-7 Part VIII, Productive Hourly Rates. Include all data sources and data used to compute the workyears and conversion factor.

RESPONSE:

The three linked Excel files included in a zip file that has been attached electronically (ChIR.3.Q.20.Workyears.zip) contain the data sources and calculations required to calculate FY 2009 workyears and workhour conversion factors.

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21. In USPS-LR-FY09-26, File "shp09prc.xls" tab "Sat and HD Adjustment," cell D20 contains a single factor to adjust both High Density Letter and Flat cost, and Saturation Letter and Flat costs. In USPS-LR-FY09-19, File "UDCInputs09.xls" tab "Inputs," cells C11 and C12 contain separate factors to adjust High Density Letter and Flat costs, and Saturation Letter and Flat costs. Please explain the rationale for using one factor in "shp09prc.xls" for mail processing cost and separate factors in "UDCInputs09.xls" for delivery costs.

RESPONSE:

A single factor is used in "shp09.prc.xls" to adjust both High Density and Saturation costs because the Standard costs by shape provided in USPS-FY09-26, File "shp09.prc.xls" are for High Density and Saturation combined. No separate reporting of High Density and Saturation costs is provided in USPS-FY09-26, so a single factor is appropriate.

In USPS-FY09-19, separate delivery costs by shape are provided for High Density and Saturation – utilizing separate adjustment factors. In addition, consistent with the Commission's comments on page 65 of the FY 2008 ACD, separate adjustment factors have been employed in USPS-FY09-18, File "FY09 ECR Unit Costs.xls" tab "Factors" to determine the disaggregated ECR mail processing unit costs. As a result, there is a match between factors used in adjusting both the mail processing and delivery costs by shape for High Density and Saturation.

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22. The Postal Service uses several avenues to provide feedback on customer service. Two primary avenues are calls received by the national call centers and written and telephone contacts with postmasters and postal employees. How is the information derived from each of these particular avenues used to evaluate and/or improve customer satisfaction? Please explain and provide examples.

RESPONSE:

Information from customer contacts is tracked to ensure timely acknowledgement and response. Our policy states that acknowledgements of receipt should be made within 24 hours. However, if the resolution is known, a response is sent in lieu of an acknowledgement. Action taken to address the customer's inquiry is noted in the USPS case management system. Postal managers use contact information to identify their biggest challenges and pinpoint where to most effectively allocate resources to improve service.

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23. Please provide the FY 2009 database containing the scheduled post office box up-times by facility in an EXCEL format.

RESPONSE:

The requested material has been attached electronically as a zip file entitled:

ChIR.3.Q.23.POBox_Up-Times.zip.

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24. Please provide separately the number of facilities where the post office box up-time was made earlier or later in FY 2009.

RESPONSE:

Because the database provided in response to Question 23 of this information request is dynamic, it would appear that the information sought in this question does not exist. The Postal Service continues to explore the matter, however, and will provide any further information which may be uncovered, if any.

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25. Please provide a copy of the Annual Report on the Postal Service Plan for FY 2009 and the Report for FY 2008 submitted to Congress pursuant to section 302(c)(4) of the Postal Accountability and Enhancement Act. Pub. L. 109-435, 120 Stat. 3219 (2006).

RESPONSE:

Copies of the Network Plan Updates for FY 2008 and FY 2009, as submitted to Congress, are attached electronically as pdf files (ChIR.3.Q.25.FY2008.Report.pdf and ChIR.3.Q.25.FY2009.Report.pdf).

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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February 5, 2010