

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 1-2, 5-9 OF CHAIRMAN'S INFORMATION REQUEST NO. 5
(February 23, 2010)

Chairman's Information Request No. 5 was issued on February 16, 2010. Responses were requested by February 23, 2010. Attached are the Postal Service's responses to Questions 1-2, 5-9. Some of the responses refer to materials which are being separately provided to the Commission as part of the non-public annex of materials relating to this proceeding. A separate notice regarding such materials is also being filed today. Responses to additional questions will be submitted as they are developed. Each request is stated verbatim, and followed by the response.

Respectfully submitted,

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February 23, 2010

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1. Please refer to USPS-FY09-NP16 tabs: Inter BMC Billing Determinants, and Intra BMC Billing Determinants.

(a) These tabs identify USPS-FY09-NP1 as their source. USPS-FY09-NP1 does not provide disaggregated inter-BMC and intra-BMC billing determinants. Please provide the underlying spreadsheets that are used to disaggregate the FY 2009 Nonpresort billing determinants in USPSFY09-NP1 between inter-BMC and intra-BMC. This disaggregation should use the methodology approved by the Commission in Order No. 398.

(b) The total inter-BMC and intra-BMC volumes in these tabs do not match the totals shown in USPS-FY09-NP15, tab: Volume Data, cells I7 and I8. Please reconcile these differences.

RESPONSE:

(a)-(b) The data relied upon in USPS-FY09-NP16 are from the FY 2009 Special Weights Report (the footnotes have been changed accordingly). The sum of the data by pound increment and zone in these tables are nearly identical to the RPW volume figures, but do not always exactly match those figures. Consequently, the volume percentages by pound increment and zone from these tables were applied to the official RPW volume figures so that the total table volumes do exactly match the RPW figures. In addition, an error was discovered in the original analysis and has since been corrected. This analysis can be found in the file 'ChIR.5.Q.1.xls.' The corrected volume figures have been added to revised versions of both the mail processing and transportation cost models, which can be found in the files 'ChIR.5.Q.1 PARCEL POST PS-PRS MP.xls' and 'ChIR.5.Q.1 PARCEL POST PS-PRS TRANS.xls', respectively. All three of these Excel files are provided under seal as part of USPS-FY09-NP33.

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2. Please refer to USPS-FY09-NP27, 2009 Competitive NSA Materials, "NSACostRevenueSummaryFY09.xls" and "USPS-FY09-NP27.pdf." Please identify each contract where actual partner-specific billing determinants by weight bracket, zone, and cubic feet are not available for FY 2009. Please explain, for each contract, why these data are not available.

RESPONSE:

A summary of the availability of customer-specific rate cell weight and zone information for each NSA is presented in column L and the footnotes of the Excel workbook "ChIR.5.Q.2.NSACostRevenueSummaryFY09.xls", filed under seal as part of USPS-FY09-NP33. Note that cubic foot size per piece is not captured by any of the payment systems. It is only available through individual inspection and validation of a partner's mail.

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5. Please refer to the response to Chairman's Information Request No. 2, Question 14 (a)-(c). In Table 3, the Preliminary Monthly Quality Link Measurement System (QLMS) percent on time scores for CY2009 reveals a sizeable (although declining) decrease during January through June and a relative increase during July through December in the percent on time scores compared to the Final Monthly QLMS percent on time scores for CY2008, shown in Table 1. Please discuss the factors contributing to the decrease and relative improvement in the preliminary on time service performance scores.

RESPONSE:

It is difficult to identify a clear cause for the difference in year-over-year comparisons.

Various factors may have contributed to the generally lower scores in the last half of CY2008 and the first half of CY2009. This period spanned numerous personnel changes in positions relevant to diagnostic evaluation and remediation for international mail, as a result of which the Postal Service's ability to respond to initial dips in performance scores may have lagged. In addition, the proportion of letters and flats used for QLMS measurement shifted in mid-2008, which may have affected the resulting overall scores. In any case, it should be noted that performance scores improved steadily throughout CY2009, ultimately reaching levels higher than those in the corresponding months of CY2008, as the question notes.

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6. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c), Page A-1. For Inbound Express Mail International, Subject to Agreement, the revenue, volume-variable cost, pieces, and net/gross pounds are linked to hardcoded figures. Please provide the revenue, volume-variable cost, pieces, and net/gross pounds for each contract (identified by Contract Number, and the related Docket No.) that sum to the revenue, volume-variable cost, pieces, and net/gross pounds for Inbound Express Mail International, Subject to Agreement, shown in worksheet A Pages (c), Page A-1.

RESPONSE:

Docket Nos. CP2008-7 and MC2009-10/CP2009-12 are the relevant dockets for Inbound Express Mail International. As the Commission explained in its Order No. 84 Concerning the China Post Group Inbound EMS Agreement, Docket No. CP2008-7, June 27, 2008, at 2:

On June 3, 2008, the Commission issued Order No. 79, which determined that Docket No. CP2008-6 establishes, in essence, a shell classification, while Docket No. CP2008-7 is a specific agreement negotiated pursuant to the conditions of the shell classification. Given this interrelationship, the Commission consolidated the proceedings for purposes of review under Docket No. CP2008-7.

As further explained in the Postal Service Response to Order No. 84 and Notice of Filing Ongoing Inbound International Expedited Services Agreements, July 23, 2008, the Postal Service has 184 agreements with foreign postal administrations that are similar in form and nature. Each of the 184 agreements consists of (1) a base agreement that prescribes operational details, such as the use of barcodes, and (2) rates for EMS delivery that the United States established in a letter to the Universal Postal Union's International Bureau ("IB"), which the IB issued as Circular 271 on September 10, 2007. The rates established in Circular 271 apply to Calendar Year 2008; thus, the Circular 271 rates apply to all foreign postal operators other than China

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for the first quarter of Fiscal Year 2009, which ran from October 1, 2008 through December 31, 2008.

For the remaining three quarters of FY 2009 – January 1, 2009 through September 30, 2009 – the rates are those presented in Docket Nos. MC2009-10 and CP2009-12. These rates apply to all countries other than China.

In Order No. 84, Docket No. CP2008-7, the Commission added the China Post Group agreement for inbound Express Mail Service (EMS) to the competitive product list as Inbound International Expedited Services 1 (CP2008-7). The rates presented there apply to China for the FY 2009 time period of October 1, 2008, through July 14, 2009, when the contract expired. From July 15, 2009, to September 20, 2009, the rates applicable for China Post Group, as a Kahala Post Group member, were those presented as “tier 1” rates in Docket No. CP2009-12.

The question states that in USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c), Page A-1, for Inbound Express Mail International, Subject to Agreement, the amounts shown for revenue, volume-variable cost, pieces, and net/gross pounds are linked to hardcoded figures. While it is true that the table summaries on the pivot table sheets (Pivot1 through Pivot5) appear to be hardcoded amounts, they actually employ the Excel data summarization techniques of “Pivot Tables.” Pivot Tables are a more efficient way than formulas for accessing and summarizing data sets. For example, to access the ICRA database in the reporting cells (which is the source of all the data except for Pivot5, which involves a transfer from the ICM costing modules), formulas can be cumbersome, requiring numerous lines of

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code, and, hence, difficult to follow. Additionally, formula references must also be modified when there are model changes to prevent errors as data locations change.

Pivot Tables, on the other hand, provide the means to perform "live" calculations and cell locations are not important, making the queries more intuitive. For instance, the expression:

```
=GETPIVOTDATA("Express",Piv1,"Origin","Foreign","concept","Revenue($000)
```

requests that for Express Mail, of foreign origin, the revenue (in thousands of dollars) be summed across all countries. As such, there is no identification of the cell locations of what is being summed, which eliminates the need for the cell reference maintenance required by formulas.

To more directly address the hardcoded concerns of the question, a worksheet that is intended to accompany this response (ChIR.5.Q.6.EMS Inbound Calcs.xls) is provided under seal as part of USPS-FY09-NP33. The EMS tab of the worksheet is taken directly from the Inbound Calcs sheet of the Reports (Booked).xls file, and it is supplemented with the appropriate SDR rates, so that the settlement calculations are converted from SDRs to dollars. The EMS tab feeds the Country Level Calcs sheet to reconstruct the ICRA calculations by country, which can be seen in the cell formulas. The reconstruction presents the Pivot Table calculations in a more familiar formula format to demonstrate the using either the Pivot Table approach or the formula approach yields the same results. The Country Level Calcs sheet shows the revenue, volume-variable cost, pieces, and net/gross pounds for each contract, with each country being a contract.

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7. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c), Page A-1. For Inbound Air Parcel Post, Subject to Agreement, the revenue, volume-variable cost, pieces, and net/gross pounds are linked to hardcoded figures. Please provide the revenue, volume-variable cost, pieces, and net/gross pounds for each contract (identified by Contract Number, and the related Docket No.) that sum to the revenue, volume-variable cost, pieces, and net/gross pounds for Inbound Air Parcel Post, Subject to Agreement, shown in worksheet A Pages (c), Page A-1.

RESPONSE:

Inbound Air Parcel Post, Subject to Agreement, consists of two categories of agreement. For quarter 4 of FY 2009, the category includes the Royal Mail Inbound Air Parcel Post Agreement that was at issue in Docket Nos. CP2009-29 and MC2009-24. Otherwise, the rates of the E-Parcels Group (EPG) apply for foreign postal operators that are party to the EPG agreements. The Postal Service filed documentation regarding these rates under seal in connection with its Response to Order No. 84 and Notice of Filing Ongoing Inbound International Expedited Services Agreements, Docket No. CP2008-7, July 23, 2008.

Similar to the response to Question 6 of the Chairman's Information Request No. 5, a workbook (ChIR.5.Q.7.Inbound Air CP Calcs.xls) accompanies this response and is provided under seal as part of USPS-FY09-NP33. The Pivot Table explanation to Question 6 applies here as well, and Inbound Air CP Calcs.xls utilizes an excerpt from Inbound Calcs.xls as the input to the Country Level Calcs tab. There are two additional notes on the Country Level Calcs tab for a further explanation of the United Kingdom and Taiwan.

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8. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c), Page A-2. For Inbound International, International Business Reply Service (IBRS) Contracts, the revenue, volume-variable cost, pieces, and net/gross pounds are linked to hardcoded figures. Please provide the revenue, volume-variable cost, pieces, and net/gross pounds for each contract (identified by Contract Number, and the related Docket No.) that sum to the revenue, volume-variable cost, pieces, and net/gross pounds for Inbound International, International Business Reply Service (IBRS) Contracts, shown in worksheet A Pages (c), Page A-2.

RESPONSE:

The relevant docket numbers for the two active International Business Reply Service (IBRS) Competitive Contracts are CP2009-20/MC2009-14 and CP2009-22/MC2009-14. These contracts became effective on February 10 and 19, 2009, respectively. The rates under each of those customers' precursor arrangements can be found in the materials filed as Attachments 2-A and 2-C, respectively, to Response of the United States Postal Service to Order No. 164, and Notice of Filing Redacted Contract and Other Requested Materials, Docket Nos. MC2009-14 and CP2009-20, January 12, 2009. The third arrangement presented as IBRS predates the Commission's dockets for IBRS Competitive Contracts, but documentation for the arrangement was filed as Attachment 2-B to the above-referenced Response and Notice. These IBRS data and calculations are provided in USPS-FY09-NP2 in the workbook "IBRS Costing (Booked).xls." The sheet "Transfer Sheet for Reports" contains the summary level data that were pasted into Reports.xls as hard-coded data (this was done to avoid additional model linkages). The sheet "IBRS" contains all the relevant calculations and benchmarked summary results to booked costs for each customer.

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9. Please refer to USPS-FY09-NP2, Excel file Reports (Booked).xls, worksheet A Pages (c), Page A-2. For Inbound International, Global Direct Entry with Foreign Postal Administrations, the revenue, volume-variable cost, pieces, and net/gross pounds are linked to hardcoded figures. Please provide the revenue, volume-variable cost, pieces, and net/gross pounds for each contract (identified by Contract Number, and the related Docket No.) that sum to the revenue, volume-variable cost, pieces, and net/gross pounds for Inbound International, Global Direct Entry with Foreign Postal Administrations, shown in worksheet A Pages (c), Page A-2.

RESPONSE:

The relevant Docket Numbers are CP2008-14/MC2008-6 and CP2008-15/MC2008-6.

The amounts presented in the ICRA showed these two contracts combined; the individual contract detail is available. Data for Global Direct Entry with Foreign Postal Administrations are provided USPS-FY09-NP2 in Reports (Booked).xls on the ICRA database sheet in cells AV2366 through AV2370. These cells refer back to the data entered in Inputs.xls on the sheet GDEI.

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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