

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 1-11 OF CHAIRMAN'S INFORMATION REQUEST NO. 7  
(March 3, 2010)

Chairman's Information Request No. 7 was issued on February 26, 2010. Responses were requested by March 3, 2010. Attached are the Postal Service's responses to Questions 1-11. Each request is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Pricing & Product Support

---

Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992, FAX: -5402  
March 3, 2010

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

1. Please refer to File 3Q09BPM Mail BDs\_Part A.xlsx, tab: Presort Flats BD filed in response to Chairman's Information Request No. 1, question 14. Please confirm that the reported figure for Nonpresort Zone 3 Carrier Route pieces is -4,554. If confirmed, please explain the negative billing determinant. If not confirmed, please provide updated billing determinants for parts A and B of quarter 3.

**RESPONSE:**

The Postal Service assumes that the Commission is referring to the figure for Non-Drop Shipped Carrier Route Flats Zones 1&2, rather than Nonpresort Zone 3 Carrier Route (an undefined category, since Carrier Route is required to be presorted), as stated in the question. The Postal Service can confirm that the figure for Non-Drop Shipped Carrier Route Flats in Zones 1&2 for the before rates period of FY 2009 Q3 is minus 4,554.

The negative figure arises because of a significant adjustment made to the data for this category during this period. After-the-fact adjustments to RPW data (whether positive or negative) are common, and are not typically observed in billing determinants reports for two reasons: (1) positive adjustments would not attract attention since they would only augment RPW data; (2) negative adjustments are usually smaller than current period mail revenue, volumes and weights, and so are typically "washed out" by current figures. In this particular case, the adjustment was negative and significant compared to current mail volumes in this rather small category. Since adjustments tend to be "lumpy," they are more likely to exceed current period data when the reporting periods are sliced unusually thin, as in this case where quarterly data were further subdivided. Thus, for example, when the referenced negative value for this cell for the Part A (before-rates) slice of Quarter 3 is combined with the corresponding positive

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

value for the same cell for the Part B (after-rates) slice, the aggregate Quarter 3 volume reported is, in fact, positive.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

2. In Docket Nos. ACR2007 and ACR2009, attributable cost, revenue, contribution, and volume figures are shown for several competitive product groupings. These figures were not filed publicly in Docket No. ACR2008. Please provide public FY 2008 cost, revenue, and volume figures for "Total Express Mail," "Total Priority Mail," "Total Ground," "Total Competitive International," and "Total Competitive Services." See USPS-FY09-1.

**RESPONSE:**

**FY 2008**

<b><u>Competitive Group</u></b>	<b><u>Rev(\$M)</u></b>	<b><u>Att Cost(\$M)</u></b>	<b><u>Pieces(000)</u></b>
<b>Total Express Mail</b>	<b>900.8</b>	<b>598.4</b>	<b>48,288</b>
<b>Total Priority Mail</b>	<b>5,484.4</b>	<b>4,279.5</b>	<b>852,415</b>
<b>Total Ground</b>	<b>543.0</b>	<b>454.9</b>	<b>259,599</b>
<b>Total Comp Int'l</b>	<b>1,478.6</b>	<b>1,242.9</b>	<b>430,846</b>
<b>Total Comp Services</b>	<b>27.8</b>	<b>26.4</b>	<b>2,704</b>

These competitive groups match the groups reported on page 3 of the FY09 PCRA, USPS-FY09-1, and the figures shown are extracted from the FY 2008 Nonpublic CRA, USPS-FY08-NP11.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

3. The following questions concern the file STD\_DEST\_ENT\_FLATS.xls.
  - a. Please reconcile the Carrier Route Volumes in file "STD\_DEST\_ENT\_FLATS.xls" tab "CR Dist Key" with the volumes in LR-FY09-4 "09 Standard Mail.xls," specifically Carrier Route Letters.
  - b. In Docket No. ACR2009, the file "STD\_DEST\_ENT\_FLATS.xls" tab "Factor Inputs" cell g44 uses the Premium Pay Factor for all Standard Mail, whereas in the same file for Docket No. ACR2008 the Premium Pay Factor for Standard Flats was used. Please explain the rationale for this change.

**RESPONSE:**

(a) The volumes by shape used in USPS-FY09-13 in "STD\_ENT\_DEST\_FLATS.xls" differ from the volumes in USPS-FY09-4 "09 Standard Mail.xls" tabs 'ECR LETTERS P. G2-1', 'ECR FLATS P. G2-2', 'NP ECR LETTERS P. G4-1' and NP ECR LETTERS P G4-2' for two reasons. First, they differ because the volumes in "STD\_ENT\_DEST\_FLATS.xls" include NSA volumes from USPS-FY09-4 "09 Standard Mail.xls" tab 'NSA CR-HD-SAT P G5-3'. Second, they differ because USPS-FY09-13 uses inputs from USPS-FY09-14 that categorize as letters certain pieces (those meeting the physical dimensions of letters, but paying flat rates) categorized as flats in the Billing Determinants in USPS-FY09-4.

The Billing Determinant volumes in USPS-FY09-4 "09 Standard Mail.xls" are reported for the various rate elements in Standard Mail and are intended to be used for analysis and projections of Postal Services Revenues. In some instances, the Billing Determinant volumes are not the proper source to use when distributing or unitizing costs. This is because it can be close to impossible to identify the specific rate element paid for some pieces of mail sampled by cost systems in the field, including some Standard Mail Carrier Route pieces. Standard Mail Carrier Route pieces that meet the

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

physical dimensions of a letter but do not have IMB or POSTNET barcode are required to pay Standard Mail Carrier Route flat rates (DMM 243.6.3.2). When these pieces are sampled in one of the Postal Services cost systems, the costs for such pieces are assigned to letter shape. As a result, in determining unit costs for Standard Mail Carrier Route by shape, the volumes used should be based on the physical shape of the piece.

The Postal Service uses USPS-FY09-14 as the volume source when volumes by physical shape are needed (as in USPS-FY09-13). Estimates in USPS-FY09-4 and USPS-FY09-14 are both tied to the RPW estimates by rate element. The volumes in USPS-FY09-14 further disaggregate the volumes by rate element to physical shape. The Excel file ChIR.7.Q.3.Attach.xls attached to this answer electronically presents a reconciliation between USPS-FY09-4 Billing Determinants and "STD\_ENT\_DEST\_FLATS.xls" with regard to Standard Mail Carrier Route pieces by shape. For each shape, the reconciliation begins with the reported USPS-FY09-4 "09 Standard Mail.xls" volumes for the rate element (including NSA volume). Then the volume of pieces that meet the physical dimensions of letters but paid Carrier Route flat rates (from USPS-FY09-14) are subtracted from flats and added to letters.

It should also be noted that the volumes relied upon in the Standard Mail flats destination entry cost model in USPS-FY09-13 are identical to those used to estimate Standard Mail mail processing unit costs by shape in USPS-FY09-26 (please see the file "shp09prc.xls", tab "Class", cells H23:K23), both of which have been derived from the estimates in USPS-FY09-14.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

(b) The value relied upon in the cell referenced above does appear to be the correct Premium Pay Factor for Standard Flats of 0.97235 as indicated in USPS-FY09-07, file "USPS-FY09-7 part7.xls", tab "VII-1 PremPay Fctrs by Subclas", cell D23.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

4. As filed in Docket No. R2009-3, the following mailer accept codes are used in the file "PRC Report V1.xls" tab 'Monthly data,' but do not appear in the tab 'Rebate data':

001590	016120	518577	800134
004799	019205	520966	034082443
006282	024842	525947	800104D
006769	029428	800069	
014221	511212	800124	

Please explain why there are no rebate calculations for these mailers.

**RESPONSE:**

The Summer Sale program is still being finalized. The 18 accounts listed belong to customers whose Summer 2009 mailing volumes and potential rebates are still being verified, and thus no rebates have yet been paid.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

5, As filed in Docket No. R2009-3, the following mailer accept codes are used in the file "PRC Report V1.xls" tab 'Monthly data':

000825	001803	003771	008567	011999	014455
000863	001893	003907	009518	012090	015861
000921	001980	004519	009632	012128	016086
000944	002158	004916	009736	012298	016942
001022	002388	004975	010361	012777	017858
001201	002828	005055	010404	013219	018240
001233	003280	005651	010462	013494	019302
001244	003407	006186	010687	013497	021016
001294	003433	006765	011403	013530	021050
001297	003600	007010	011726	014276	021124
021219	026921	141806	800067	800238	800206C
021241	027149	511686	800076	012547203	800213D
021243	027200	512139	800111	013102773	800226B
022332	028052	514688	800121	000001Z	
022503	028759	514764	800123	000002Z	
023285	028778	516792	800157	000009Z	
023721	028912	520366	800165	000014Z	
024311	029038	800009	800170	026083B	
026170	101285	800053	800181	800183B	
026291	123048	800062	800208	800206B	

- Please confirm that, for the accept codes above, the Standard Mail Product data used in the calculation of the rebates (October 2007 to March 2008 Volume, October 2008 to March 2009 Volume, July 2008 to September 2008 Volume, July 2009 to September 2009 Volume, October 2009 Volume, July 2009 to September 2009 Revenue) contain negative values.
- Please explain why these mailers have negative values for volume and revenue data.
- Please explain why some of the mailers with negative data are included in the rebate calculations in tab 'Rebate data' (e.g., 000825) and some are not included (e.g., 000921).
- Please explain how the data for the mailers with negative data were adjusted for use in the tab 'rebate data'.

**RESPONSE:**

- Confirmed.
- The negative volumes are due to the use of ghost permits. Ghost permits are assigned to organization B (who does not own a permit) when organization A is mailing on behalf of organization B, on organization A's permit. In the case where organization A mails for organization B (the owner of the mail) a negative volume is applied to organization A and a corresponding positive volume is

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

applied to organization B. This situation ensures that the mail volume/revenue is reported back to the owner of the mail and not to the mail preparer. This can occur in many situations – for example: when a mail service provider drops mail on behalf of a customer, or when a large corporation who mails through a single permit wants to assign mail ownership to sub-entities within that organization (which is the case for these entries).

(c) Please see the response to Chairman's Information Request No. 7, Question 4.

(d) An account's Summer 2009 mailing volumes are calculated by summing the volumes of all eligible mail categories across all permits associated with that account across the three Summer Sale months (July, August, and September). Negative numbers were included in the sums. After aggregation, all accounts had non-negative total volumes for Summer 2009.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

6. Please refer to file "PRC Report V1.xls" tab 'Monthly data' as filed in Docket No. R2009-3.

- a. Please provide a list of all mailers with negative data.
- b. Please explain all adjustments made in the calculation of rebates.

**RESPONSE:**

(a) There are 324 accounts that have negative data for any of the listed months for any of the listed price categories. They are:

000665	000668	000772	000802	000825	000863
000921	000944	001022	001108	001136	001201
001233	001244	001250	001294	001297	001329
001530	001628	001642	001803	001893	001918
001936	001980	002017	002036	002097	002134
002158	002331	002388	002595	002651	002707
002828	002858	002910	003001	003029	003169
003195	003280	003293	003329	003353	003387
003407	003433	003449	003491	003600	003651
003771	003830	003907	003932	004073	004112
004125	004232	004373	004519	004584	004656
004748	004775	004916	004975	004987	005051
005055	005115	005150	005523	005624	005651
005705	005797	005966	006186	006268	006282
006378	006456	006593	006664	006765	007010
007012	007404	007616	007690	008482	008494
008567	008588	008841	008913	009001	009395
009518	009632	009736	009806	009862	009947
009991	010006	010062	010094	010115	010246
010361	010364	010404	010423	010462	010687
010796	010805	011003	011181	011403	011566
011726	011803	011839	011999	012090	012128
012141	012242	012298	012428	012480	012605
012714	012731	012777	012844	013072	013196
013219	013480	013494	013497	013530	013622
013779	014024	014201	014276	014331	014455
014904	015103	015158	015456	015485	015861
015869	016086	016517	016942	016982	016998
017149	017274	017376	017858	018097	018240

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

019205	019302	019571	020210	020409	020794
021016	021021	021050	021124	021167	021219
021241	021243	021282	021285	021295	021890
022312	022332	022500	022503	023018	023049
023114	023285	023651	023721	023786	023793
024311	024367	024634	024751	024905	024937
025596	025788	026170	026291	026411	026654
026730	026732	026758	026837	026921	026948
027080	027149	027200	027482	027680	027701
028052	028665	028759	028778	028902	028912
028948	029038	029266	029328	029375	100990
101285	103657	104091	104564	107267	108754
110515	110740	112438	123048	125597	141806
503207	507908	508827	511183	511686	512139
514688	514764	516792	517774	519210	519835
520366	521029	523894	524923	525288	800009
800024	800027	800038	800043	800045	800051
800053	800060	800062	800067	800071	800072
800073	800076	800092	800102	800106	800111
800121	800123	800124	800149	800156	800157
800165	800170	800171	800178	800180	800181
800183	800184	800208	800209	800218	800238
002589323	012547203	013102773	000001Z	000002Z	000009Z
000014Z	000785B	001022B	026083B	800072B	800100A
800183B	800206B	800206C	800213D	800220B	800226B

(b) Please see the response to Chairman's Information Request No. 7, Question 5(d).



**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

- (b) There are 727 mailers where the Summer and October thresholds from the 'Rebate data' tab differ from the respective thresholds calculated from the data in the tab 'Monthly data' by more than 0.1 percent (any difference of less than 0.1 percent is attributable to rounding).
- (c) Please see the Summer Sale Data Collection Report, page 4 ("FY 2009 Summer Sale DCR.pdf"), filed on Feb. 26, 2010.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

8. The following question seeks to clarify information provided by the Postal Service in its response to CHIR 3, question 6. Please assume that multiple collection boxes at the same location are counted as a single box. For each weekday and Saturday, please provide the percentage of collection boxes for which the last mail pick-up time is in each of the following time periods.

- a. Midnight to 11:59 AM;
- b. Noon to 2:59 PM;
- c. 3:00 PM to 4:59 PM;
- d. 5:00 PM to 6:59 PM; and
- e. 7:00 PM to 11:59 PM.

**RESPONSE:**

(a)-(e) The percentage of collection boxes with a last pick-up time within each time period is shown in the table below, as of the end of FY2009. Multiple collection boxes at the same location are counted as a single box.

<b>Time</b>	<b>% Last Pick-up (M-F)</b>	<b>% Last Pick-up (Sat)</b>
12:00 midnight to 11:59 AM	21.79	42.46
12:00 noon to 2:59 PM	29.92	42.45
3:00 PM to 4:59 PM	35.43	13.46
5:00 PM to 6:59 PM	12.66	2.50
7:00 PM to 11:59 PM	0.19	0.14

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

9. Please refer to the Excel data file provided in support of the Postal Service's response to CHIR 3, question 9 (CHIR.3.Q.9.EmergSusp.xls). It appears that duplicative information is provided for the Harwick, Iowa office. Please clarify the correct status.

**RESPONSE:**

No Post Office named "Harwick" appears in the file identified. However, two entries for "Hartwick, IA" do appear. Since the data in the two "Hartwick" listings differ, they are not duplicates. It has been determined that the entry with ZIP Code 52322 (Excel row 353) contains spurious information and should accordingly be deleted.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

10. Please refer to the Postal Service's response to CHIR 3, question 2 and responses to questions 1 through 4 of CHIR No. 3, Errata, filed February 8, 2010. Please confirm that the following data for 3-digit ZIP Code pair upgrades and downgrades are correct. If not confirmed, please explain.

Summary Table of Package Services 3-Digit ZIP Code Pair  
Upgrades and Downgrades

	FY 2009 Upgrades	FY 2009 Downgrades	FY 2009 Changes
Package Services:			
Origin Entry	596	241	837
Dropshipped	3	99	102
Total	599	340	939

**RESPONSE:**

Confirmed.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

11. Please refer to both the FY 2009 Annual Compliance Report (ACR) at 15 and library reference USPS-FY09-17 (LR) at 45. The ACR at 15 indicates that "5,400 completed surveys for Large Business customers, and 5,700 completed surveys for Residential and Small Business customers [were obtained] throughout the year." However, the LR at 45 indicates "[s]lightly over one million residential and about 391,000 small businesses responded to the [Customer Satisfaction Measurement] surveys." Please reconcile the differences in the quantity of customer survey responses reported.

**RESPONSE:**

As stated in the ACR FY2009, "the Gallup Organization conducted two online surveys on behalf of the Postal Service across each of four quarters during FY 2009 to capture customer ratings of satisfaction with market dominant products". References made in the ACR FY2009 to obtaining "a total of about 5,400 completed surveys for Large Business customers, and 5,700 completed surveys for Residential and Small Business customers throughout the year", were specific to the two distinct online surveys conducted by the Gallup Organization "to meet the requirement to measure the degree of customer satisfaction with market dominant products provided to customers".

The two online surveys conducted during FY 2009 to measure satisfaction with market dominant products were separate and distinct from general Customer Satisfaction Measurement (CSM) surveys during the same time period that are referred to in the 2009 Comprehensive Statement on Postal Operations (a copy of which was filed in this proceeding as USPS-FY09-17). These general CSM surveys (also conducted by the Gallup Organization) were designed to "provide an ongoing assessment of customer satisfaction with the Postal Service across a range of interactions". The reference stating that "slightly over one million residential and about 391,000 small businesses responded to the CSM surveys", was unique to the CSM

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 7**

survey process and is unrelated to the separate and distinct online surveys that were conducted to capture customer ratings of satisfaction with market dominant products that are referred to in the ACR FY2009.

## 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.

---

Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992, FAX: -5402  
March 3, 2010