

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

---

COMPETITIVE PRODUCT PRICES  
GLOBAL EXPEDITED PACKAGE SERVICES CONTRACTS  
NON-PUBLISHED RATES

---

Docket No. MC2010-29

Docket No. CP2010-72

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 3**

(September 10, 2010)

The Postal Service hereby provides its response to Chairman's Information Request (CHIR) No. 3, issued on September 3, 2010. Each question is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Anthony F. Alverno  
Chief Counsel, Global Business

Laree Martin  
Attorney

475 L'Enfant Plaza, S.W. Rm. 6109  
Washington, D.C. 20260-1137  
(202) 268-3816; Fax -5628  
laree.k.martin@usps.gov  
September 10, 2010

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 3**

1. Please refer to Governors' Decision 10-2, Attachment C, at 2 which states:

The exact price would be determined by applying a consistent methodology to the downstream access option, payment option and revenue commitment choices made by the customer.

Does the GEPS Master financial model provided in response to CHIR No. 1, question 2, produce an "exact price" or a range of acceptable prices?

- a. If the former, please provide a citation to the cell(s) where this occurs.
- b. If the latter, please describe the process by which the range of acceptable prices is reduced to an "exact price."
- c. Does the model produce exactly one price—either the [specified] percent cost coverage or the maximum possible discount? If not, please explain.

RESPONSE:

a) The GEPS Master model produces an exact price for each downstream access option and respective tier within that downstream access option. Of the three different downstream access options, the model will produce an exact price for each of the eight tiers, based on the specific inputs when the model is used. Thus, the model produces twenty-four rate sheets for EMI/PMI which are distinct from each other and are exact based on the standard GEPS business rules. The model is able to produce each rate sheet by manipulating cells C8 and C37 on the '01\_Inputs' tab of the model. Cell C8 chooses the downstream access option, and cell C37 chooses the tier. Once a selection has been made the model creates exact prices for that tier and downstream access offering on tab '22\_Final\_Rates.'

The same model will produce a different set of exact prices for the same downstream access choice and commitment tier if the inputs for foreign exchange or

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 3**

other inputs that may vary change. Thus, the Governors have approved multiple acceptable prices for Express Mail International and Priority Mail International by destination price group and weight step, so long as the prices offered to the customer are generated using the business rules approved by their decision and incorporated into the model.

b) N/A

c) For each downstream access offering and tier within that offering, the model produces one exact price based on the GEPS business rules. Rate design involves the following constraints to each price cell: A target cost coverage percentage for attributable costs is set for all GEPS contracts and applies to each individual rate cell. This target has been provided in non-public materials in this and other filings. If the fully discounted price for a cell covers less than the target cost coverage, then the mailer is offered either the published price or a smaller percentage discount off the published price that meets the target. On the other hand, if the fully discounted price meets or exceeds the target cost coverage, then the mailer is offered the fully discounted price.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 3**

2. Please refer to proposed Mail Classification Schedule section 2610.7.3 which states, in part:

The mailer is required to meet the minimum volume or weight requirements in effect for manifest mailing as specified by the Postal Service.

- a. What are the minimum volume or weight requirements and where are these requirements published?
- b. How will the Postal Service notify: (i) the Commission, and (ii) affected mailers of changes in these minimum requirements?
- c. Are changes, if any, in the requirements applicable to prospective agreements only? If not please explain.

RESPONSE:

a) The minimum volume or weight requirement is currently 200 pieces or 50 pounds of mail. These requirements are published in the *International Mail Manual* (IMM) at section 152.43, and are subject to general conditions published in sections 604 and 705 of the *Domestic Mail Manual* (DMM). The use of the manifest mailing system for verification of permit imprint mailings, including international mail, is described in DMM 705.2. Publications 401, Guide to the Manifest Mailing System, and 401-A, Manifest Mailing System (brochure), provide additional details, but any conflicting information is controlled by the applicable DMM or IMM provision. The URLs listed below may be used to examine these four documents.

<http://pe.usps.com/text/dmm300/705.htm>

[http://pe.usps.com/text/imm/immc1\\_020.htm](http://pe.usps.com/text/imm/immc1_020.htm)

<http://www.usps.com/cpim/ftp/pubs/pub401.pdf>

<http://www.usps.com/cpim/ftp/pubs/pub401a.pdf>

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 3**

b) Changes to the minimum volume or weight requirement would be made by changing the applicable DMM and IMM standards. The Commission and mailers would be notified of the change through that process.

c) No. If a change to the minimum volume or minimum weight requirement for use of the manifest mailing system to verify permit imprint mailing were made in the DMM or IMM, the change would be effective for all mailers as noticed in the Postal Bulletin or *Federal Register* notice implementing the change. It would, therefore, affect both current and prospective Global Expedited Package Services (GEPS) mailers, regardless of whether the contracts were classified in the GEPS Non-published Rates grouping or another GEPS grouping, such as GEPS 2 or GEPS 3.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S  
INFORMATION REQUEST NO. 3**

3. Please refer to the United States Postal Service Reply Comments, August 18, 2010, at 3 which identifies certain market characteristics including the capability of mailers to generate "at least \$50,000 in international mail revenue...." Does this include revenue from products other than qualifying EMI and PMI?

**RESPONSE:**

Yes; the \$50,000 capability requirement includes all international mail. The description of GEPS Contracts in the Postal Service's proposed draft Mail Classification Schedule includes this requirement for the original GEPS product at section 2610.4.1. The same requirement has been carried over into the proposed language for GEPS Non-published Rates in section 2610.7.1 for consistency. The capability requirement is not a revenue commitment.