

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

Notice of Price Adjustment

Docket No. R2011-2

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued February 2, 2011)

To clarify elements of its Notice of Price Adjustment, filed January 13, 2011, the Postal Service is requested 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 9, 2011.

First-Class Mail

1. One of the stated eligibility requirements for the proposed First-Class Mail Commercial Plus parcels category is that the mailer makes an annual volume commitment of 5,000 pieces. Postal Service Notice at 15.
  - (a) Please explain the rationale for requiring an annual volume commitment, and for the selection of 5,000 pieces as opposed to a smaller or larger commitment.
  - (b) Please identify the category or categories of mail (e.g., Commercial Plus parcels or all Commercial First-Class parcels) that will count toward the commitment, and describe the process the Postal Service will use to verify that each mailer meets the minimum volume.
  - (c) Please identify the penalty (or other consequences) a mailer will incur for failing to satisfy its volume commitment.

2. In response to CHIR No. 1, question 1 in Docket No. ACR2010, the Postal Service provided revised cost avoidance and passthrough calculations that removed the effects of Proposal Nine (on which the Commission has not made a final decision). See Docket No. ACR2010 USPS-FY10-42. Three discounts (automation AADC presort letters, automation 3-digit presort letters, and automation AADC presort cards) that were designed to pass through 100 percent of avoided costs based on the calculations as filed (incorporating Proposal Nine) exceed 100 percent of avoided costs under the accepted methodology. For each of these discounts, please identify the exception claimed under 39 U.S.C. 3622(e) and explain how it applies to the proposed discount.

#### Periodicals

3. In response to CHIR No. 1 questions 2 through 8 in Docket No. ACR2010, the Postal Service provided updated cost avoidance calculations. As a result, some cost coverages changed. Specifically, the passthrough for 3-digit automation letters increased from 400 percent to 1,000 percent. Please identify the exception claimed under 39 U.S.C. 3622(e) and explain how it applies to the proposed discount.

#### Standard Mail

4. In Docket No. R2010-4, the Postal Service referred to the “delicate financial position of the catalog industry” and proposed a 5.1 percent increase for Standard Mail Flats. Docket No. R2010-4, Kiefer at 28-30. In the instant docket, the Postal Service again reasons that a cautious approach is warranted due to the delicate financial position of the catalog industry, but proposes a 0.835 percent increase for Standard Mail Flats.
  - (a) How has the financial position of the catalog industry changed between the filing of Docket No. R2010-4 and Docket No. R2011-2?

- (b) Given that Standard Mail Flats do not cover their costs, please reconcile the increase proposed in Docket No. R2010-4 with that proposed in this proceeding.
  - (c) Please explain how the proposed increases for Standard Mail Letters and Flats apportion the costs of the Postal Service on a fair and equitable basis as required by 39 U.S.C. 101(d).
  - (d) Please explain how the proposed increase for Flats ensures adequate revenues to maintain financial stability as required by 39 U.S.C. 3622(b)(5).
5. For each Standard Mail discount below, please identify the exception claimed under 39 U.S.C. 3622(e) and explain how it applies to the proposed discount.
- (a) Presort discount for NDC Machinable Parcels;
  - (b) Presort discount for SCF Irregular Parcels; and
  - (c) Presort discount for SCF NFM's.
6. In response to CHIR No. 1, question 10 in Docket No. ACR2010, the Postal Service provided revised cost avoidance and passthrough calculations that removed the effects of Proposal Nine (on which the Commission has not made a final decision). See Docket No. ACR2010 USPS-FY10-42. One discount (Nonautomation 3-digit Nonmachinable Letters) that was designed to pass through 100 percent of avoided costs based on the calculations as filed (incorporating Proposal Nine) exceeds 100 percent of avoided costs under the accepted methodology. Please identify the exception claimed under 39 U.S.C. 3622(e) and explain how it applies to the proposed discount.
7. Please refer to 'USPS-R2011-2/2 - Standard Mail Cap Compliance', CAPCALC-STD-FY2011.xls, cells D28 and D29 in worksheets 'HD-Sat-CR Com. Cap Wts.' and 'HD-Sat-CR NP Cap Wts.' Separately, for each of these worksheets, please

disaggregate the volume of letters and flats receiving the IMb discount by Standard Mail product.

#### Package Services

8. Please refer to FY2011SPPParcel\_Post.xlsx, tab: New SPPP Prices, Cells: AA89 and AI89. Confirm that the weighted index for planned rates of combination enclosures should be increased by the same percentage as the First-Class Mail single-piece first-ounce letter rate ( $44/44-1= 0.00\%$ ), rather than by the average increase for single-piece Parcel Post. See Docket No. R2008-1 Notice of United States Postal Service of Errata to Market-Dominant Price Adjustment Filing (Errata), February 29, 2008, at 6.
  - (a) If confirmed, please provide updated workpapers.
  - (b) If not confirmed, please explain.
  - (c) In addition, please explain why Cell: AA89 includes the Alaska Bypass fixed weight index, and Cell: AI89 does not. If necessary, please provide updated workpapers.
  
9. In FY 2010, single-piece Parcel Post had a cost coverage of 89.3 percent. In the 2010 ACR, the Postal Service states “[T]he Postal Service believes pricing and product actions need to be taken to improve Single-Piece Parcel Post’s cost coverage.” 2010 ACR at 39. Is the Postal Service’s proposal to increase one to five pound single-piece Parcel Post rates part of the “pricing and product actions need to be taken to improve Single-Piece Parcel Post’s cost coverage?” If so, please explain how the proposal in the instant docket is the most efficacious means to improve the product’s cost coverage. If not, please elaborate.

## Special Services

Please refer to Library Reference USPS-R2011-2/LR5, Excel file “CAPCALC-SpecServ-FY10 Revised.”

10. Excel file “CAPCALC-SpecServ-FY10 Revised” contains a worksheet for the Scheduled Pick-Up Service (Pickup On Demand); however, the ‘Chang Calc’ worksheet does not include the Scheduled Pick-Up in the average price increase for the class. Please confirm that the revenue for Scheduled Pick-Up Service should be included in the average price increase for the class. If not confirmed, please explain.
11. For Stamped Envelopes service, please reconcile the billing determinant data provided in the instant proceeding with the billing determinant data provided in Docket No. ACR2010.
12. For Stamp Fulfillment Services, the Mail Classification Schedule contains the following four rate categories:

<b>SFS Prices as of Docket No. MC2009-19</b>	
<b>Type of SFS Order</b>	<b>Price</b>
(1) Orders mailed to domestic United States destinations	\$1.00
(2) Custom orders mailed to domestic United States destinations	\$3.00
(3) Orders mailed to destinations outside of domestic United States	\$6.00
(4) Custom orders mailed to destinations outside of domestic United States	\$8.00

The cap calculation for Stamp Fulfillment Services only include one rate category, orders mailed to domestic United States destinations.

- (a) Please confirm that the Postal Service does not intend to increase prices for

- i. custom orders mailed to domestic United States destinations;
  - ii. orders mailed to destinations outside of domestic United States;  
and
  - iii. custom orders mailed to destinations outside of domestic United States.
- (b) If not confirmed, please elaborate, providing changed fees and revised cap calculation.

#### International Mail

13. Please refer to USPS-R2011-2/1, and the Excel file Inbound\_CAPCALC-FCMI-FY2010.xls, worksheet Inbound FCMI BD Summary, which shows “Volume Summary” and “Weight – Kilogram Summary” tables. For each table, please confirm that the “Total” figure in the row “Total FCMI ROW” includes ROW Registered Mail volume and weight data, respectively. If not confirmed, please explain. If confirmed, please explain why ROW Registered Mail volume and weight data are included, given that the Postal Service previously excluded such ROW Registered Mail data from the analogous worksheet in Docket No. R2010-4, USPS-R2010-4/1, Excel file Inbound\_FCMI\_Worksheets\_R2010-4.xls. See *also* USPS-R2010-4/1 (Revised August 6, 2010), First-Class Mail Worksheets, at page 8 (“Inbound Registered Mail is not considered to be Inbound FCMI volume.”)
14. Please refer to USPS-R2011-2/1, and the Excel file Inbound\_CAPCALC-FCMI-FY2010.xls, worksheet tab Inbound Revenue Calculation.
- (a) In the tables “FY10 VOLUME” and “FY10 KILOGRAMS,” the volume and kilogram figures in the columns headed “A-LC/AO” are obtained directly from the ICRA in the Excel file Reports.xls, worksheet tab ICRA Database for foreign origin “alc” Pieces and Gross Kg. By contrast, the sum of the volume and kilogram figures in the columns headed “SAO” and “SAL-

LC/AO,” respectively, equals the volume and kilogram figures in the worksheet tab ICRA Database for foreign origin “sao” Pieces and Gross Kg. Please explain the rationale and provide the formulas for making the allocation of “sao” Pieces and Gross Kg between “SAO” and “SAL-LC/AO,” respectively, in the tables “FY10 VOLUME” and “FY10 KILOGRAMS.”

- (b) In the tables “CY 2010 INBOUND REVENUE (\$U.S.)” and “CY 2011 INBOUND REVENUE (\$U.S.),” revenues from some target system countries are calculated using both a per item and per kilogram terminal dues rate, while revenues from other target system countries are calculated using only the per kilogram rate. (*Compare*, for example, target system countries 708 and 714.) Please confirm that revenues for all target system countries should be calculated using both the per item and per kilogram terminal dues rates. If confirmed, please revise the tables “CY 2010 INBOUND REVENUE (\$U.S.)” and “CY 2011 INBOUND REVENUE (\$U.S.)” to show the calculation of CY 2010 and CY 2011 revenues using both the per item and per kilogram terminal dues rates for all target system countries. If not confirmed, please explain.
15. Please refer to USPS-R2011-2/1, and the Excel file Inbound\_CAPCALC-FCMI-FY2010.xls, worksheet tab Inbound Revenue Calculation. In the tables “CY 2010 INBOUND REVENUE (\$U.S.)” and “CY 2011 INBOUND REVENUE (\$U.S.),” inbound volume and kilograms from Canada are excluded from the Postal Service’s calculation of revenues. In Docket No. R2010-4, Library Reference USPS-R2010-4/1 (Revised August 6, 2010), First-Class Mail Worksheets, at page 7, the Postal Service justifies the exclusion of inbound volume and kilograms from Canada pursuant to 39 CFR 3010.24. Please explain why it is impractical to identify the rates of general applicability to be used with inbound

volume and kilograms from Canada in calculating CY 2010 and CY 2011 inbound revenues.

General

16. On January 2, 2011, the simplified addressing option became available for the delivery of saturation flats and irregular parcels on city carrier routes. According to a press release (dated January 21, 2011), the Postal Service expects to generate new revenue as a result of this change. Please discuss the ramifications of this initiative on the calculation of the price cap.

By the Chairman

Ruth Y. Goldway