

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

ANNUAL COMPLIANCE REPORT, 2010

Docket No. ACR2010

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-22, 24-26 OF CHAIRMAN'S INFORMATION REQUEST NO. 4
(February 28, 2011)

The Postal Service hereby files its responses to questions 1-22, 24-26 of Chairman's Information Request No. 4, issued on February 18, 2011. Each question is stated verbatim, and followed by the response. In responses in which nonpublic information has been redacted, the unredacted version appears as part of USPS-FY10-NP32. Public electronic materials are provided as USPS-FY10-44. Responses to Questions 23 and 27 are still under preparation.

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
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1. On page 23 of the ACR, the Postal Service states that ratio of the revenue per piece of NonProfit to Commercial Standard Mail was 64.5%. The following questions concern the calculation of this ratio.

a. Please confirm the NonProfit to Commercial ratio of 64.5% is calculated using USPS-FY10-4 file "Standard BDs 2010.xls" tab "Summary 2 P. G6-2" cells g54 and g17. (.1328/.2058=.645).

b. Please confirm the ratio can be calculated as shown in the table below using values in USPS-FY10-LR4 file "Standard BDs 2010.xls" tab "Summary 3 P. G6-3"

Tab Summary 3 P. G6-3		
Commercial		
Revenue	Volume	
Formula	Formula	
cells F10+F22	cells H10+H22	
Value	Value	Revenue Per Piece
15,428,689,581	69,142,263,915	0.223
NonProfit		
Revenue	Volume	
Formula	Formula	
cells F37+F42	cells H37+H42	
Value	Value	Revenue Per Piece
1,766,662,080	13,107,926,624	0.135
NonProfit to Commercial Revenue Per Piece Ratio		
60.4%		

c. Please reconcile the discrepancy between the NonProfit/Commercial revenue per piece ratios calculated using tabs USPS-FY10-LR4 file "Standard BDs 2010.xls" "Summary 2 P. G6-2" and "Summary 3 P. G6-3."

RESPONSE:

a. Confirmed.

b. Confirmed.

c. The reason for the discrepancy between the Nonprofit/Commercial revenue per piece ratios calculated using "Summary 2 P. G6-2" and "Summary 3 P. G6-3" is that

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the "Summary 2 P. G6-2" worksheet inadvertently double-counted the IM full-service incentive volumes. The FY 2010 Standard Mail billing determinants have been corrected by removing the error of the double-counting of the IM full-service incentive volumes in the file, "ChIR.4.Q.1.Standard BDs 2010—Revised 2-28-11.xls," provided as part of USPS-FY10-44. The error only affected subtotal cells in worksheets "Summary 1 P. G6-1" and "Summary 2 P.G6-2." The changed cells have been highlighted.

In responding to this question the Postal Service realized that neither of the ratios calculated using "Summary 2 P. G6-2" or "Summary 3 P. G6-3" was correct. The calculation of the revenue per piece ratio should include Standard Mail fees (as directed by the Commission in the 2009 Annual Compliance Determination, at p. 84). Including the Standard Mail fees, the Nonprofit/Commercial revenue per piece ratio is 61.9 percent. The correct calculation of the revenue per piece ratio is shown in the file "ChIR.4.Q.1.Ratio.xls," which is also provided as part of USPS-FY10-44.

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2. Library Reference-USPS-FY10-27 contains estimates of Nonprofit Standard Mail unit costs, total costs, and contribution. The attached spreadsheet applies the FY10-27 methodology to the FY10 Commercial Billing Determinants. It contains the cost for Commercial and Nonprofit Standard Mail by product using both data from the Cost and Revenue Analysis (CRA) and developed using the FY10-27 methodology.

	Total Cost By Product			% Difference
	NonProfit Model	CRA	NPM-CRA	
High Density and Saturation Letters.....	329,136,538	348,527,524	(19,390,987)	-5.5637%
High Density and Saturation Flats and Parcels..	745,653,571	825,826,991	(80,173,420)	-9.7083%
Carrier Route.....	1,533,360,168	1,559,827,920	(26,467,752)	-1.6968%
Letters.....	5,095,363,957	5,106,086,248	(10,722,291)	-0.2100%
Flats.....	3,254,405,523	3,161,327,019	93,078,504	2.9443%
Not Flat-Machinables and Parcels.....	780,954,782	780,156,163	798,619	0.1024%
Total	11,738,874,539	11,781,751,866	(42,877,327)	-0.3639%

a. Please discuss whether it would be reasonable to apply a CRA adjustment factor to the FY10-27 cost estimates by product such that the total costs estimated by product using FY10-27 align with the costs for each product as reported in the CRA. The following table shows the CRA adjustment by product.

	NonProfit Model	CRA	CRA/Nonprofit Adjustment	Nonprofit Model x Adjustment
High Density and Saturation Letters.....	\$ 329,136,538	\$ 348,527,524	1.059	\$ 348,527,524
High Density and Saturation Flats and Parcels..	\$ 745,653,571	\$ 825,826,991	1.108	\$ 825,826,991
Carrier Route.....	\$ 1,533,360,168	\$ 1,559,827,920	1.017	\$ 1,559,827,920
Letters.....	\$ 5,095,363,957	\$ 5,106,086,248	1.002	\$ 5,106,086,248
Flats.....	\$ 3,254,405,523	\$ 3,161,327,019	0.971	\$ 3,161,327,019
Not Flat-Machinables and Parcels.....	\$ 780,954,782	\$ 780,156,163	0.999	\$ 780,156,163
Total	11,738,874,539	\$ 11,781,751,866		\$ 11,781,751,866

RESPONSE:

Application of such adjustment factors would not necessarily be unreasonable, but if the goal of the exercise was to gain greater accuracy in the estimation of costs and cost coverage for Nonprofit portions of the products, the adjustment factors would add nothing to the actual accuracy of the estimates.

The calculations in USPS-FY10-27 are characterized as “approximations” to distinguish them from estimates of the costs of Nonprofit Standard Mail. The Postal Service data systems do not capture the costs of Nonprofit mail separately from the costs of Commercial mail. Although, in the absence of other data, it may seem reasonable to apply the billing determinants of Nonprofit Standard Mail to the unit costs

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at the most granular level (shape, presort and dropship level), it is a stretch of the data to assume that those are the only cost-causing characteristics; they are simply the only cost-causing characteristics associated with differential pricing. In fact, there may be other cost-causing characteristics that are not reflected in the detailed costs applied to the billing determinants, and those characteristics may differ between Nonprofit and Commercial Standard Mail. For example, a piece-rated, SCF-entered, 3-digit Automation Nonprofit letter is assumed to cost the same as a piece-rated, SCF-entered, 3-digit Automation Commercial letter, even though there may be differences in the paper quality, address hygiene, use of tabs, distribution between city and rural delivery routes, or weight per piece that could also affect costs.

In the Excel spreadsheet attached to this question, the costs for Commercial Standard Mail are calculated in the same manner as the approximations for the Nonprofit Standard Mail were in USPS-FY10-27. The approximated costs for both the Nonprofit mail and Commercial mail by product are then added together to compare to the total costs for each of the Standard Mail products shown in the CRA. Some (such as for Regular Letters and Regular NFM's and Parcels) are remarkably close to the CRA cost figures, whereas others, such as the costs for High Density and Saturation, are further from the CRA costs. The problem with assigning the CRA adjustment factor for the purposes of "polishing" the approximated costs for Nonprofit mail is that it is unknown whether the inaccuracy in the estimation of the costs occurred in the estimation of the Nonprofit costs, in the estimation of the Commercial costs, or in the estimation of both (or perhaps in both, but in offsetting directions). The volumes of the Commercial mail dwarf those of the Nonprofit mail. There are almost 13 times as many

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Commercial ECR mailpieces as there are Nonprofit ECR mailpieces; almost four times as many Commercial Regular mailpieces as Nonprofit Regular mailpieces; more than 50 times as many Commercial Regular Parcels as Nonprofit Regular Parcels. A relatively tiny misestimation in the cost of a Commercial piece could easily dwarf, in aggregate, any misestimation in the cost of a Nonprofit piece.

The larger of the differences, between the CRA reported costs (for the sum of Commercial and Nonprofit at each product level) and the costs approximated by use of the model in USPS-FY10-27, occur in the High Density and Saturation Flats and Parcels products and the Flats products. These products have relatively large discrepancies which almost offset each other. In the process of investigating the sources of the cost discrepancies, one area that suggests an inaccuracy in the application of the costs is in the dropship adjustments. The dropship analyses are based on the weighted average results applicable to both Commercial and Nonprofit, "ECR" and Regular together, even though Commercial and Nonprofit mail may have different dropship profiles which could have affected the dropship model results had they been run separately (which they cannot be, as separate data do not exist). The weighting of the dropship analysis results necessarily affects the adjustment applied at each dropship level in Tabs "REG COSTS" and "ECR COSTS". There are almost ten times as many Commercial flats as Nonprofit flats, so one would expect to see the dropship distribution to be dominated by the Commercial mail mix. In addition, nearly 30 percent of Nonprofit flats are not dropshipped to any degree, whereas only 7 percent of Commercial flats are not dropshipped. At the opposite end of the dropship spectrum, more than a quarter of Commercial flats are dropshipped to the destination delivery unit,

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but only 5 percent of Nonprofit flats are entered that deep in the postal system. The dropship profiles for the High Density, Saturation and Carrier Route flats also differ from the distributions for the Regular Auto and Nonauto flats. As would be expected, a far greater percentage of the High Density, Saturation and Carrier Route flats in both Commercial and Nonprofit are dropshipped to the DSCF and DDU levels. The application of the adjustment factors to both the Commercial and Nonprofit costs at the product level applies the same smoothing to both when, in fact, it is possible that all of the difference between the CRA results for that product and the results from the model may be applicable to only one category of mail.

In addition, the application of the adjustment factors yields very little in terms of change in total estimates and no change in the ability to determine that, for example, Nonprofit Auto Regular Flats are far from covering their costs.

<u>Nonprofit Standard</u>	Cost Coverage Without CRA Adjustment	Cost Coverage With CRA Adjustment
Regular	89%	88%
Auto Letters	108%	108%
Nonauto Letters	138%	138%
Auto Flats	53%	51%
Nonauto Flats	63%	61%
NFMs	74%	74%
Parcels	72%	72%
ECR	103%	105%
Carrier Route	95%	97%
High Density and Saturation Letters	112%	118%
High Density and Saturation Flats and Parcels	119%	119%
Total	91%	90%

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The application of the CRA adjustment factors may provide a more polished appearance which implies more accuracy, but, in fact, adds little to the actual accuracy of the approximations given all of the underlying layers of assumptions necessary.

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3. On page two of the Preface to USPS-FY10-7, the Postal Service states "In FY 2010, the FSS operations continue to be (as they were in past years) listed with the AFSSM operations until the FSS hours become substantial enough at some time in the future to have their own separate cost pool."

- a. How many FSS machines were in operation in FY 2010
 - i. For the entire fiscal year; and
 - ii. For part of the fiscal year.
- b. Please provide the workhours associated with FSS operations. If unavailable, please provide a timeline containing when FSS hours will become substantial enough to have their own cost pool.
- c. Please provide an estimate of the MODS Productivity of the FSS, as would be developed in USPS-FY10-23 (MODS Productivity Data). If unavailable, please provide a timeline containing when FSS hours will become substantial enough to estimate productivity.

RESPONSE:

a. As indicated on pages 1-2 of the Postal Service's Reply Comments in this docket, filed February 17, 2011, during FY 2010, essentially 8 to 12 FSS machines were operational, and operation of these machines was constrained by equipment acceptance testing for most of the fiscal year. At the beginning of FY 2010, 8 FSS machines were operational. By the end of FY 2010, 6 additional FSS machines had become operational, but two of those began operations only in the last several of weeks of FY2010. So, for all practical purposes, 12 FSS were operational at the end of fiscal year. These 12 FSS machines were accepted (contractually speaking) as of September 1, 2010. At that point, they were no longer under any test constraints that had previously limited the Postal Service's ability to add sort plans (zones). Thus, at end of FY 2010, these machines could be considered as fully operational. Even by the end of the fiscal year, however, operations on these 12 FSS were not fully ramped up to include all zones and routes intended for each FSS.

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b. FSS operations include MODS operations 530, 531, and 538. For FY2010, USPS-FY10-7 (in USPSFY10-7 part1.xls) shows that MODS operations 530, 531 and 538, total 539,044 hours (or roughly \$22.8 million) for clerks and mail handlers, which were included in the AFSM 100 cost pool.

c. Given the nature of FSS operations in FY2010, as discussed in the response to part a, of this question, MODS productivities for FSS were not sought for USPS-FY10-23. Both FY 2010 and FY 2011 represent transition years in which machines were being deployed and tested and used for increasing numbers of zones, but neither 2010 nor 2011 provide a picture of what these machines are capable of doing when they are "full up". During FY2011, the procedures for FSS are being adopted and adapted, and zones are gradually being added to enable a smooth transition. As deployments occur and operations ramp up, we will examine the available data and provide and use them as possible to best reflect flat sorting costs.

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4. Library Reference USPS-FY10-4, Excel file 'Special Services FY2010 BD.xls,' does not contain billing determinant data for the Stamped Fulfillment Services product. Please file a revised file that contains billing determinant data for Stamp Fulfillment Services (SFS). If possible, please indicate the volumes and revenues for the following rate categories listed in the Mail Classification Schedule for the SFS product:
- a. Orders mailed to domestic United States destinations;
 - b. Custom orders mailed to domestic United States destinations;
 - c. Orders mailed to destinations outside of domestic United States; and
 - d. Custom orders mailed to destinations outside of domestic United States.

RESPONSE:

The requested information can be found in the revised file provided within USPS-FY10-44 as ChIR.4.Q.4.Special Services FY10 BD Rev.2.28.11.xls.

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5. In Docket No. MC2009-19, the Postal Service explained that it is working on a methodology to allocate revenues and expenses between Stamped Fulfillment Services and Philatelic Sales products when it receives combined orders for stamps and philatelic items.¹ Please provide an update on the Postal Service's efforts to develop a methodology to allocate the revenue and expenses for combined orders. If a methodology has not been developed, please approximate the allocation of revenue and expenses for combined orders of stamps and philatelic items.

RESPONSE:

Based on SFS's knowledge and experience, SFS revenue can be estimated as follow: Approximately 90 percent to Stamps (philatelic or mail use), 5 percent to Philatelic Sales (First Day Covers, Digital Color Postmarks, Yearbooks, etc.) and 5 percent to combined orders that include both Stamps and Philatelic items.

SFS expenses are distributed somewhat differently. Approximately 80 percent of total SFS expenses can be attributed to Stamps (mail use and philatelic), with 15 percent attributed to Philatelic Sales, and 5 percent to combined orders. This is due in large part to the relatively high cost for producing items such as First Day Covers and Digital Color Postmarks actually manufactured within SFS.

The combined orders revenue can then be allocated between Stamps and Philatelic Sales in the 90/5 revenue ratio identified above, while the combined orders expense can be allocated between Stamps and Philatelic Sales in the 80/15 expense ratio identified above.

¹ Docket No. MC2009-19, Response of the United States Postal Service to Chairman's Information Request No. 3, question 3, June 1, 2010.

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6. The FY 2010 Public Cost Revenue and Analysis Report (PCRA) shows the revenue and cost for SFS. (See Excel file FY10PublicCRA.xls, worksheet Cost2, line 28). In Docket No. MC2009-19, the Postal Service explained that SFS only includes the fulfillment of stamp orders.²

a. Please confirm that the revenue and cost figures of \$3,069,349 and \$5,778,908, respectively include the fulfillment of the following three types of orders:

- i. Stamps;
- ii. Philatelic Sales; and
- iii. Combined orders of stamps and philatelic sales.

b. If confirmed, please provide the revenue and cost for the SFS product that does not include the nonpostal Philatelic Sales product.

RESPONSE:

a. Confirmed.

b. Based on SFS's experience and best knowledge, the estimated SFS revenue (i.e., excluding Philatelic Sales revenues) is \$2,919,141. The estimated SFS expense is \$4,858,735.

² Docket No. MC2009-19, Request of the United States Postal Service to Add Stamp Fulfillment Services to the Mail Classification Schedule in Response to Order No. 391, April 26, 2010, at 1.

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7. The ACR (at 66) states: "Comparing the revenue of each competitive product shown in the Nonpublic CRA (USPS-FY10-NP11) with its attributable costs suggests that all of the competitive products are covering their attributable costs, with the exception of: Inbound International Expedited Services and Competitive International Insurance." However, for Address Enhancement Service, the Nonpublic CRA shows that revenue does not cover attributable costs (See Excel file FY10NonPublicCRA.xls, worksheet Cost 3, line 34). Please discuss the factors that contributed to the attributable costs for this product exceeding the revenues and how the Postal Service plans to improve the cost coverage.

RESPONSE:

The Commission indicated in the FY2009 ACD that the Postal Service needs to provide costs for both AMS and AES products. That led to the first estimation of the costs for these products within a regulatory context, completed in late December of 2010. The Postal Service plans to evaluate costs and pricing strategies in order to determine how best to cover costs.

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8. Please refer to the response to CHIR No. 2, question 1, in subpart a., which states that the "Reports (Booked).xls file uses RPW as its booked basis and RPW reports only revenue, no pieces." In subpart b., the Postal Service further states that "the number of transactions reported in Chapter 9 is accurate for calculations of the Imputed Reports.xls version."

a. Please explain why the Postal Service did not report any transactions for inbound market dominant Registered Mail in the Excel file Reports.xls, the imputed version.

b. Notwithstanding the fact that neither the RPW nor the Excel file Reports (Booked).xls provide the number of inbound Registered Mail pieces, please confirm that the number of pieces reported under the "booked" methodology would be the same as reported in Chapter 9. If not confirmed, please explain.

RESPONSE:

a. The transaction amount for inbound market dominant Registered Mail was inadvertently left out of the Inputs file; therefore, it was not passed forward to the Reports file.

b. Confirmed.

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9. Please refer to the response to CHIR No. 2, question 9, which states that “Inbound Surface Parcel Post costs for mail processing were reported as Expedited Parcels for the entire fiscal year...[while] costs for nonmail processing were reported as Inbound Surface Parcel Post (at Non-UPU rates) for Quarter 1...” Please explain why the Postal Service did not segregate Quarter 1 mail processing costs and report those costs along with Quarter 1 nonmail processing costs for Inbound Surface Parcel Post (at Non-UPU rates) in Quarter 1. Also, please provide the Quarter 1 mail processing costs for Inbound Surface Parcel Post (at non-UPU rates).

RESPONSE:

Quarter 1 mail processing costs were not segregated because IOCS only produces annual estimates. Quarter 1 mail processing costs for Inbound Surface Parcel Post (at Non-UPU rates) are shown on the Inbound Canada tab of ChIR.4.Q.9.Canada.Bilateral.xls filed under seal as part of USPS-FY10-NP32.

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10. The following questions concern the service performance of inbound First Class Mail International (FCMI) and inbound Express Mail Service (EMS). In November 2010, the Transportation Security Administration implemented new security directives related to the entry of international mail.

- a. Please explain to what extent (if any) these new security directives will affect the December 2010 monthly and the CY 2010 annual quality of service measurement results for the link to terminal dues for inbound FCMI, and the CY 2010 Quarter 4 EMS Cooperative Report Card, and the CY 2010 Annual EMS Cooperative Report Card.
- b. In addition, please provide an estimate of the possible financial effect of these new security directives on each product.

RESPONSE:

a-b. The Transportation Security Administration's (TSA's) November 2010 security directives were issued in response to an event that occurred on October 28, 2010. The directives were effective beginning in December, and certain revisions were subsequently made specifically in response to concerns voiced by the international postal sector. The directives continue to be the subject of discussion with TSA, air carriers, the State Department, other U.S. government agencies, the Universal Postal Union, and other international postal sector stakeholders.

Due to the continually developing application of the directives, the Postal Service is not able, at this time, to determine what financial impact the directives may have had on either inbound First-Class Mail International (FCMI) or inbound Express Mail Service (EMS). In fact, it may not be possible, even with more time to collect and analyze the information, to isolate the financial impact of the security directives, which is primarily likely to flow from the inability of some foreign posts to find air carriers able to comply with the security directives.

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In those cases, the foreign posts have had to suspend mail delivery to the U.S. in whole or in part.. At best, the Postal Service may only be able to report trends for inbound volume, service and financial performance before and after the directives were implemented, without being able to draw any causal connections between the directives and measurable changes.

In terms of quality of service measurement of FCMI, the Postal Service's initial evaluation is that the security directives should not have any significant impact. First, the inbound service performance is measured from the time that the mail enters the domestic U.S. network, not from the time that the mail is posted in the origin country. Additionally, the directives were not effective until the last month of the calendar year, so any diminution in quality of service that could, somehow, be related to the security directives would have little affect on the calendar year service performance, which is the period which forms the basis of the calculations. Other unrelated operational events also occurred during the final two months of the 2010 calendar year, and it would be difficult to isolate the impact of these events from the impact of the security directives on the flow of inbound international mail. One notable event was the consolidation of mail operations in Chicago, which caused the testing of inbound international mail to be suspended for those two months.

Likewise, with EMS, the Postal Service's service performance is measured from the time it accepts the items. Thus, in theory, there should be no impact on service performance for those EMS items that the Postal Service received from foreign posts. One possible impact could result as a consequence of decisions

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made by foreign postal operators and their transportation providers to use atypical transportation modes or to route the U.S.-bound mail to different Postal Service acceptance points. To the extent that these decisions may have led to a disruption in the normal flows for Postal Service processing and transportation, the directives may be said to have had an impact on service levels. As stated above, however, whether and to what degree such effects resulted from the security directives would be difficult, if not impossible, to evaluate.

Since the security directives were implemented in FY 2011, the Postal Service expects that if it is able to correlate their implementation with any diminution in service or financial performance for inbound international mail of any category, it will be able to address those issues in the 2011 ACR, which will encompass the time-frame in which these events are occurring.

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11. The following questions concern International Money Transfer Service (IMTS). Please refer to USPS-FY10-NP2, and the Excel file "Reports (Booked).xls," worksheet tab A-Pages (c), Table A-2.

- a. For FY 2010, "booked" revenues for IMTS increased by 38.8 percent, while volumes decreased by 18.7 percent, compared with FY 2009. Please discuss the factors that caused this increase in revenues.
- b. For FY 2010, please explain why "booked" revenues for IMTS equal "imputed" revenues, as shown in the Excel file "Reports.xls, worksheet tab A-Pages (c), Table A-2. This contrasts with the results reported by the Postal Service for FY 2009, where "booked" revenues for IMTS were less than "imputed" revenues. Compare Docket No. ACR2009, USPS-FY09-NP2, and the Excel files "Reports (Booked).xls" and "Reports.xls."

RESPONSE:

- a. An explanation of the "booked" IMTS revenues is provided in USPS-FY10-NP5, Part22010v1.doc, Chapter 9. The primary reason for the increase in revenues was a 54 percent increase in Outstanding Money Orders Taken into Revenue, which can be seen by comparing in Figures 9.1 of Chapter 9 in USPS-FY09-NP5 and USPS-FY10-NP5.
- b. There are two different "booked" revenue amounts for Money Orders depending on whether one views the RPW report or the CRA. The RPW report shows the booked amount for Money Order revenue resulting solely from the sale of Money Orders. The CRA reports the booked amounts for Money Order revenue from the sale of Money Orders plus Money Order Float plus Money Orders Taken into Revenue. As such, both the RPW report and the CRA report booked amounts, but each includes different revenue accounts in the Money Order total. In FY2009, the Booked ICRA amount was the RPW amount, and the Imputed ICRA amount was the CRA amount. However, the Imputed ICRA amount was not imputed; it was the booked CRA amount. In FY2010, the CRA definition of Money Order revenue was used for both the Booked and Imputed versions of the ICRA so that the CRA and ICRA were consistent.

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12. The following questions concern competitive International Ancillary Services. In Docket No. ACR2009, the Postal Service observed that within the competitive International Ancillary Services product, outbound Registered Mail, Return Receipt, and Insurance are “relatively small” and therefore “may exhibit annual cost variations associated with small transactional volumes.” Response to CHIR No. 2, question 19(b), February 2, 2010. The Postal Service also stated that it planned to monitor the financial performance of the underlying ancillary services during FY 2010 “to determine whether this year is an anomaly or [an] indication of a trend.” *Id.*

- a. For FY 2010, revenues for Registered Mail and Return Receipt exceeded costs. See USPS-FY10-NP2, and the Excel file “Reports (Booked).xls,” the worksheet tab A-Pages (c), Table A-2. Please discuss the factors that caused revenues to exceed costs for these two ancillary services and, specifically address whether the financial performance of these two ancillary services during FY 2010 was an anomaly or an indication of a trend.
- b. For FY 2009 and FY 2010, please provide the total number of IOCS tallies for Registered Mail, Return Receipt, and Insurance. In addition, for each of these ancillary services, please provide the coefficient of variation for the cost estimate, and the 95 percent confidence interval for the cost coverage.

RESPONSE:

- a. The details are provided in USPS-FY10-NP5, Part22010v1.doc, Chapter 9, Figure 9.2. Outbound Registered Mail transactions increased 42 percent, revenue increased 47 percent and Cost Segment 3 volume variable costs, which constitute most of the volume variable costs, decreased 21 percent. Return Receipt transaction decreased 5 percent and volume variable costs decreased 100 percent.
- b. The information requested is provided under seal within USPS-FY10-NP32 as ChIR.4.Q.12.b.IOCS.xls.

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13. Please refer to Library Reference USPS-FY10-NP11, and the Excel file FY10NonPublicCRA.xls, worksheet tabs Cost2, Cost3, Volume2 and Volume3. Also, please refer to the response to CHIR No. 1, question 29, which references Library Reference USPS-FY10-NP30, and the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls, worksheet tab RPW Report.

- a. In worksheet tabs Cost2 and Volume2, revenue and transactions for market dominant Total International Ancillary Services are reported in cells D19 and D18, respectively. In worksheet tab RPW Report, revenue and pieces for Outbound International Ancillary Services are reported in cells E89 and M89, respectively, while Inbound International Ancillary Services revenue and pieces are reported in cells E90 and M90, respectively. Please reconcile the sum of revenues and pieces for Outbound and Inbound International Ancillary Services reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with Total International Ancillary Services revenue and transactions reported in the Excel file FY10NonPublicCRA.xls.
- b. In worksheet tab Cost3, revenue for Inbound Surface Parcel Post (at non-UPU rates) is reported in cell D51. In worksheet tab RPW Report, revenue for Inbound Surface Parcel Post (at non-UPU rates) is reported in cell E173. Please reconcile the revenue for Inbound Surface Parcel Post (at non-UPU rates) reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with the revenue for Inbound Surface Parcel Post (at non-UPU rates) reported in the Excel file FY10NonPublicCRA.xls.
- c. In worksheet tabs Cost3 and Volume3, revenue and pieces for Outbound International Negotiated Services Agreement Mail are reported in cells D52 and D47, respectively. In worksheet tab RPW Report, revenue and pieces for Outbound International Negotiated Services Agreement Mail are reported in cells E174 and M174, respectively. Please reconcile the revenue and pieces for Outbound International Negotiated Services Agreement Mail reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with the revenue and pieces for Outbound International Negotiated Services Agreement Mail reported in the Excel file FY10NonPublicCRA.xls.
- d. In worksheet tabs Cost3 and Volume3, revenue and pieces for Inbound International Negotiated Services Agreement Mail are reported in cells D53 and D48, respectively. In worksheet tab RPW Report, revenue and pieces for Inbound International Negotiated Services Agreement Mail are reported in cells E175 and M175. Please reconcile the revenue and pieces for Inbound International Negotiated Services Agreement Mail reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with the revenue and pieces for Inbound International Negotiated Services Agreement Mail reported in the Excel file FY10NonPublicCRA.xls.

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e. In worksheet tabs Cost3 and Volume3, revenue and pieces for International Money Transfer Service are reported in cells D56 and D51, respectively. In worksheet tab RPW Report, revenue and pieces for International Money Transfer Service are reported in cells E201 and M201. Please reconcile the revenue and pieces for International Money Transfer Service reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with the revenue and pieces for Inbound International Money Transfer Service reported in the Excel file FY10NonPublicCRA.xls.

f. In worksheet tabs Cost3 and Volume3, revenue and pieces for competitive International Ancillary Services are reported in cells D57 and D52, respectively. In worksheet tab RPW Report, revenue and pieces for Outbound International Ancillary Services are reported in cells E195 and M195, respectively, while Inbound International Ancillary Services revenue and pieces are reported in cells E196 and M197, respectively. Please reconcile the sum of revenues and pieces for Outbound and Inbound International Ancillary Services reported in the Excel file ChIR.1.Q.29.NONPUBLIC.FY2010_RPWextractfile.xls with the International Ancillary Services revenue and pieces reported in the Excel file FY10NonPublicCRA.xls.

RESPONSE:

- a. The reconciliation is shown on the ChIR 4 Q 13a tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32, which displays how the individual RPW categories total to the Nonpublic CRA total.
- b. The reconciliation is shown on the ChIR 4 Q 13b tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32. The Nonpublic CRA includes Inbound Surface Parcel Post (at Non-UPU Rates) and Canada Post Bilateral for Inbound Competitive Services in the total and RPW includes these amounts elsewhere.
- c. The reconciliation is shown on the ChIR 4 Q 13c tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32. Different versions of the Global Plus EMI data were used for RPW and the Nonpublic CRA and International Business Reply Service is reported as Outbound in RPW and as Inbound in the Nonpublic CRA.

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- d. The reconciliation is shown on the ChIR 4 Q 13d tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32. The Nonpublic CRA includes Canada Post Bilateral for Inbound Competitive Products and International Business Reply Contracts and RPW includes these amounts elsewhere.

- e. The reconciliation is shown on the ChIR 4 Q 13e tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32. The Nonpublic CRA includes Money Order Float, Money Orders Taken into Revenue, and Sure Money, and the RPW report includes these amounts elsewhere. Also, the Nonpublic CRA includes Sure Money transactions, but the RPW report does not report Sure Money transactions.

- f. The reconciliation is shown on the ChIR 4 Q 13f tab of ChIR.4.Q.13.NP.xls filed under seal as part of USPS-FY10-NP32, which displays how the individual RPW categories total to the Nonpublic CRA total. Note that the request refers to cell M197 for the RPW volumes; the correct cell reference is M196.

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14. Please refer to the response to CHIR No. 1, question 21, which references USPS-FY10-NP-2, and the Excel file "Inputs.xls," worksheet tab UPU TDs CY2. Cells I60-I71 and J60-J71 in the worksheet tab associate terminal dues rates of 0.174 SDR per item and 1.76 SDR per kilogram with the following countries, identified by country code: 710, 773, 870, 715, 864, 895, 905, 790, 811, 888, 843, and 868. These terminal dues rates are the CY 2010 provisional rates paid by target system countries. However, the identified countries are new target system countries. Article 28, paragraph 8 of the UPU Convention provides that "the rates applied for flows to, from or between new target system countries, other than for bulk mail," shall be 0.155 SDR per item and 1.562 SDR per kilogram for CY 2010. Please explain why the CY 2010 provisional terminal dues rates of 0.174 SDR per item and 1.76 SDR per kilogram were used for the new target system countries, rather than the CY 2010 new target system country terminal dues rates of 0.155 SDR per item and 1.562 SDR per kilogram.

RESPONSE:

The 0.155 SDR per item and 1.562 SDR per kilogram for new Target System countries Letter Post Terminal Dues for 2010 were inadvertently overlooked by the Postal Service, and the U.S. standard provision rate was applied instead. Using the correct rates would have only a small impact on the overall contribution in the Imputed version shown in USPS-FY10-NP2, Core Files, Reports file; there is no impact on the Reports (Booked) file. Using the correct rates would have reduced the Letter Post revenues reported in the Reports file by **[REDACTED]**. Also, per Universal Postal Convention article 28.8, the Reports file should have reflected Terminal Dues to the new 2010 Target System countries paid at the same rate. Using that rate would have shown a reduction in the Reports file costs of **[REDACTED]**. The combined effect would have been a net reduction in the reported Industrialized Country Letter Post contribution of approximately **[REDACTED]** in the Reports file.

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15. USPS-FY10-9-ACR Roadmap contains a discussion (at 89) of USPS-FY10-8 Equipment and Facility Related Costs section, concerning the need to realign the amounts of OCR, MPBCS, DBCS and FSM 1000 space across the LDC 41, LDC 42 and Non-MODS –Automated/Mechanized Facility Space Categories because too much of this equipment had been erroneously categorized as non-plant.

- a. Please describe the estimation process used to assign equipment to space categories prior to FY 2010 and how the space category assignment/calculation changed.
- b. Please specify the process for determining the space facility categories, how these plant facility space category errors were identified, and what quality control measures are in place to ensure future accuracy of equipment space categorization.
- c. USPS-FY10-7 indicates (at 2) that LD42 now consists only of MODS business return operations and that in addition to its core automated MODS operations, LD41 also comprises some mechanized MODS operations. In the USPS-FY10-np18part2.xls, between FY 2009 and FY 2010 there have been some addition and deletions in MODS operation numbers and changes in LDC groups. Please provide a table of changed MODS operation numbers (deletions and additions) and changes made to LDC groups between FY09 and FY10.

RESPONSE:

a.-b. The amount of facility space used by each type of major processing equipment is updated annually to reflect new deployments and equipment removals. Generally speaking the original survey data (from the end of FY99) provides an initial amount of space by equipment type, which is then adjusted based on the percentage changes in the amount of deployed equipment. For instance since the end of FY99, the following changes have taken place in the deployments for the above mentioned equipment:

- OCRs and MPBCSs have been completely removed,
- FSM 1000 rose from 338 to 355 as deployment was completed; then removals began in FY2007, reducing deployments to 145 at mid-year FY2010.

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- The number of DBCS (including the DIOSS, DIOSS-EC and CIOSS) grew from 4858 to 5916, a 22 percent increase, and space utilization increased even more than this amount due to the adding of stackers to DBCS and the larger dimensions of the DIOSS-EC and CIOSS.

Engineering has provided information on these yearly changes in deployment and the information needed to reflect the larger sizes of the newer DBCS equipment.

The error referenced above, and also discussed in USPS-FY10-8, concerns the apportionment of the space for this equipment between the mail processing cost pools for plants versus non-plants. For instance, in the case of DBCS, three cost pools contain this equipment:

Delivery BCS, Carrier Sequence BCS, Mail Processing BCS
LDC 41 - Unit Distribution – Automated
Non-MODS - Automated/Mechanized

The apportionment of the DBCS between these three categories was erroneous, since it had not kept up with shifts of DBCS equipment between the types of facilities associated with these three cost pools. DBCS equipment has shifted to plants. The labor costs for LDC41 and Non-MODS – Automated/Mechanized has fallen significantly, especially in the last couple of years, which is what led to the identification of this error. Reapportioning the amount of DBCS space was done using the IOCS costs on the relative amounts of DBCS labor costs in these three cost pools, as shown in FCILTY10.xls, sheet “Adj AutoMechLDC41,42,48.” Guarding against this type of error in the future will be done by monitoring the relative amount of labor costs associated with equipment utilized in more than one cost pool.

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c. The table of changes in MODS operation numbers between FY2009 and FY 2010 is provided within USPS-FY10-44 as CHIR.4.Q.15c.MODS.xls. MODS operation numbers displayed in FY2009, but not in FY2010, represent deletions. MODS operation numbers displayed in FY2010, but not in FY2009, represent additions. MODS operation numbers showing in both FY2009 and FY2010 represent changes in names and/or LDCs. Note that the absorption of the mechanized MODS operations in LDC41 is not reflected in the table because it occurred in FY2009, when the new Business Return Service Operations were added under LDC 42, and LDC 42 was renamed accordingly.

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16. USPS-FY10-8 Preface.doc (section A. Purpose and Content) states (at 1) that estimates of square feet are based on the FY 1999 facility survey updated using information on equipment deployments since FY 1999. USPS-FY10-8 Preface.doc, in section "E. Input/Output" states (at 2) that the FY 2005 sq. feet and rents operation are from the FY 2004 facility space and rents by operation, and additional facility space data are from the "Facility Space Usage Study." Also in this same section it states that rental rates per square feet are from the Facility Cost Development Update, December 1993 (USPS LR-G-120 in Docket No. R94-1).

a. Given that errors have occurred in certain equipment categorization, as noted in the explanation on page 3 in this document (which effected LDCs and facility space assignment), what measures does the Postal Service have planned to prevent further equipment /facility space categorization errors?

b. For the space estimates based on the older studies referenced in USPS-FY10-8, (the Facility Study in 1999 and the Facility Cost Development Update, December 1993), on what basis is the Postal Service determining these survey data continue to be accurate sources of space estimation?

c. USPS-FY10-8 Preface.doc states (at 2):

"[a]n estimate of facility space for the new LDC 42 for business return services, **presumably** a former LDC 48 activity, was made by assuming this activity would have the same ratio of total cost pool labor costs to facility space as true for the former LDC 48 as detailed in FCILTY10.xls." (Emphasis added.) The word "presumably" (bolded above for emphasis) for this estimation of facility space appears to be a qualifier that could be related to accuracy. What checks are in place based around this particular space estimation (as well as for others)?

d. Please refer to USPS-FY10-LR8. In the FCILTY10.xls file the worksheet called "Notes for Equipment" reads "11/Mechanized Tray Sorter facility space was increased based on rise in workhours..." FY 2005 and FY 2010 MODS work hours are shown for illustration. How frequently does the Postal Service evaluate MODS work hours and make adjustments for facility space? At what point/magnitude is a decision made to adjust facility space in response to changes in workhours?

RESPONSE:

a. As indicated in the response parts a.-b. of Question 15 of this Information Request, we will guard against this type of error in the future by monitoring the relative amount of labor costs associated with equipment utilized in more than one cost pool.

b. The results provided by the FY 1999 facility survey and the rental rates from the Facility Cost Development Update, December 1993, continue to be an accurate basis

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for determining the attribution and distribution of facility-related costs needed for the CRA for the following reasons. In the case of DBCS facility space obtained from the estimates of square feet by operation (or cost pool) based on the facility survey in FY1999, much useful information has been obtained from Engineering on deployment changes to reflect the aggregate changes in the amount of DBCS facility space. It is also important to note that the error in allocating the amount of this space between the three different cost pools containing the equipment (as discussed in response to parts a.-b. of Question 15 of this Information Request) is mitigated significantly by the similarity of the distribution keys for all three cost pools (see, for example, USPSFY10-7 part5.xls in USPS-FY10-7). Likewise the need to update the rental rates to enhance the accuracy of imputed rents is lessened by the way in which imputed rents are used in the CRA. In particular, volume variable imputed rents are capped at the book costs associated with facility space (rents, building and leasehold depreciation, and associated interest expense).

c. It is true that the estimate of the space associated with the new LDC 42 cost pool rests on the assumption that the ratio of labor costs to facility space for this new LDC would be the same as for LDC 48. The basis for the assumption is the judgment that the activities contained in the new LDC 42 are similar to the activities of LDC 48. The accuracy of the estimates hinges on the soundness of this judgment.

d. In general, changes in MODS work hours are used to adjust facility space estimates when there have been large changes in the operations. Apart from the use of work hours to adjust mechanized tray sorter facility space, other instance of this include

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reductions in manual sorting of letters and flats at plants, and reduction in CFS operations due to PARS, as shown in FCILTY10.xls, sheet "EQUIPMENT."

All the parts of this question highlight, specifically in the context of the strategic rulemaking (Docket No. RM2011-3), the need to balance the costs and benefits of additional studies such as a new facility space survey, as discussed at page 11 of the Postal Service's Comments (February 18, 2011) in that proceeding.

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17. Please provide an updated M-32 Handbook Management Operating Data System (MODS) to include operation descriptions for the 2010 MODS operation numbers in use.

RESPONSE:

The handbook in question has not been updated. The best available responsive information is provided in USPS-FY10-44 as ChIR.4.Q.17.MODS.pdf.

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18. The In-Office Cost System (IOCS) Activity Codes List (MASTER.CODES.FY10 filed with USPS-FY10-37) shows changed activity codes in addition to those listed in Appendix A: Changes in IOCS Codes from FY 2009 to FY 2010, Table 1: Changes in Activity Codes (at 14 in the USPS-FY10-37.pdf).

a. Please describe what specific changes in FY 2010 were made to the following IOCS activity codes:

- i. 2425 Combined Media Mail – Presort and Single-Piece;
- ii. 3060 IPP's under 8 ozs.;
- iii. 3080 IPP's under 8 ozs. – Nonautomation Presort;
- iv. 3160 Priority Mail IPP's under 8 ozs.;
- v. 3493 Parcel Select; and
- vi. 4493 Parcel Select.

RESPONSE:

All changes were to improve the clarity of the descriptive label in the

MASTER.CODES.FY10 file, not to make any changes in the actual data processing.

These include:

- i. change "Sorted" to "Presort";
- ii, iii, iv change "up to" to "under" to more accurately reflect the longstanding rule for assignment of IPP shape;
- v, vi. change "Drop-Ship Parcel Post" to "Parcel Select"

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19. USPS-FY10-7 file "USPS-FY10-7 NdcS – Mods1&2-Other SAS logs.rtf (at 829, line 12770) includes the following message: "The SAS System stopped processing this step because of errors." The frequency table (activity code by pool) is not produced for: Table 7- 'ALLIED OPERATIONS – NOTHANDLING IOCS \$ CHECK – EXH 2-10' 'EXCL. ADJUSTMENT FOR BREAKS EXH24 R97-1 – PRC-LR-H4'. For continuity and consistency, please provide the table that was the planned output for this programming section and resubmit a corrected log and output file for both LRs USPS-FY10-7 and USPS-FY10-NP-18.

RESPONSE:

Table 7 for the nonMODS can be found at page 351 of the revised version of output file "USPS-FY10-7 SAS tables rev.rtf" (public version), which is provided within USPS-FY10-44 as ChIR.4.Q.19.Table.7.rtf, and at page 451 of the revised output file "USPS-FY10-np18 SAS tables rev.rtf" (non-public version), which is provided under seal within USPS-FY10-NP32, as ChIR.4.Q.19.NP.Table.7.rtf.

The corrected SAS code that generated the nonMODS Table 7 can be found at page 829, line 12771 of the revised version of log file "USPS-FY10-7 NdcS – Mods1&2-Other SAS logs rev.rtf" (public version) which is provided within USPS-FY10-44 as ChIR.4.Q.19.Code.rtf, and at page 841, line 13431 of the revised version of log file "USPS-FY10 np18 NdcS – Mods1&2-Other SAS logs rev.rtf" (non-public version), which is provided under seal within USPS-FY10-NP32 as ChIR.4.Q.19.NP.Code.rtf. For reference, the uncorrected SAS codes are left in the preceding lines (at the initial lines 12770 and 13430 respectively) but with an asterisk to signal that the code is not part of the processing step.

The only correction made was to replace the 'shp' variable with the 'wgt' variable in the N5Allied SAS program in both public and non-public versions. Please note that this is consistent with the use of the 'wgt' variable in both the B5Allied and M5Allied SAS programs which had generated Table 7 for the NDCs and for the MODS 1&2 offices.

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The use of the wrong variable in N5Allied only prevented Table 7 from being produced and printed for the nonMODS; it had no impact on the execution of the succeeding SAS steps and did not affect the results of the subsequent output tables.

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20. The FY 2010 Performance Report and FY 2011 Performance Plan provides (at 3) the FY 2011 service performance targets for single-piece First-Class Mail. For all other products, please confirm that the Postal Service's FY 2011 targets remain the same as those reported in FY 2010. If not, please identify all proposed changes to the FY 2011 service performance targets.

RESPONSE:

The FY 2011 Annual Performance Plan includes annual service performance objectives for Single-Piece First-Class Overnight, Single-Piece First-Class 2-Day, Single-Piece First-Class 3-5-Day, Express Mail, Priority Mail, and Parcel Select. However, the targets and performance for the competitive products are not publicly reported. Therefore, a more complete version of this response, including information for competitive products, is provided under seal as part of USPS-FY10-NP32.

Service Category	FY 2010 Target	FY 2011 Target
FCM O/N	96.60	96.65
FCM 2 Day	94.10	94.15
FCM 3-5 Day	92.80	92.85

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21. In the 2010 Performance Report and 2011 Performance Plan at 5, the Postal Service indicates that a Voice of the Employee survey is a performance indicator for achieving the Postal Service's strategic goal of "improving employee engagement." In FY 2010, the Postal Service achieved a score of 62.3 and plans to attain 64.5 for FY 2011.

- a. Please provide a copy of the FY 2010 survey.
- b. Please provide the summary statistics of the employee responses to each question and explain how the score of 62.3 was calculated. Include in your response the derivation of all calculated values and cite source documents relied upon.

RESPONSE:

- a. A copy of the survey is provided electronically within USPS-FY10-44 as pdf file ChIR.4.Q.21.VOE.Survey.pdf.
- b. Shown on the next page are the summary statistics of the fiscal year 2010, for employee responses to each question on the VOE survey. (The highlighted questions are the index questions used in the calculation of the survey index.)

The ultimate source documents are the individual survey responses, which are tabulated by our vendor, Synovate.

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USPS Strategic Direction	Fav	Neu	Unfav
4. I see a clear connection between my work and the Postal Service's goals.	62	20	18
20. I am aware of current business conditions facing the Postal Service.	82	10	8
27. I understand the business goals and objectives of the Postal Service.	70	18	12
28. The Postal Service is making the changes necessary to compete effectively.	43	26	30
Trust			
13. I am confident in the ability of senior management to make the decisions necessary to ensure the future success of the Postal Service.	31	22	47
33. I believe that the results of this survey will be used to improve the Postal Service.	39	27	33
Contribution to USPS Growth			
5. I am given a real opportunity to improve my skills at the Postal Service.	41	28	31
6. The people in my work unit adapt easily to new ways of doing things.	43	25	32
9. In my work unit, we actively look for opportunities to improve the way we work.	48	23	29
17. Rate the quality of the service provided by your office/facility to your customers.	59	25	16
25. I understand the Postal Service's products and services.	77	15	8
Communication			
3. I have enough information to do my job well.	71	15	14
8. In my work unit, expectations about the quality of work are clear.	62	17	21
11. My supervisor gives me feedback that helps me improve my performance.	51	22	27
16. Rate your immediate supervisor on communicating regularly to keep you informed.	58	23	19
21. The results of this survey are shared in my work unit.	31	33	36
Diversity & Respect			
15. Rate your immediate supervisor on treating you with dignity and respect.	64	19	17
19. In the past 12 months, I have personally been sexually harassed by a Postal Service employee.	94	3	3
22. I feel excluded from my work unit because of my race, ethnicity, gender, disability, etc.	90	0	10
23. The Postal Service promotes diversity of backgrounds, talents and perspectives.	54	29	17
24. In the Postal Service we treat one another with trust and mutual respect.	46	23	31
Commitment			
29. I feel personally responsible for helping the Postal Service succeed as a business.	77	15	8
30. I feel valued as an employee of the Postal Service.	51	21	28
31. I am proud to work for the Postal Service.	75	16	9
32. I would recommend the Postal Service as a place to work to family and friends.	52	20	28
Personal Safety			
7. I am aware of the security measures in my workplace.	79	12	10
14. I receive information to perform my job safely.	71	16	13
18. Rate the physical working conditions.	53	29	18
26. I feel safe from physical harm at work.	71	16	13
Work Effort & Quality			
1. I have been properly trained to do my job.	79	11	10
2. My job makes good use of my skills and abilities.	67	16	16
10. The people I work with cooperate to get the job done.	60	18	22
12. I understand how the work I do impacts the service that the Postal Service provides.	84	10	6

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The VOE index is computed by averaging the year-to-date national total percent favorable dimension scores, using the eight questions below to represent each dimension, with each of the dimensions receiving equal weight. In other words, the 62.3 score is the simple average of the eight numbers in the column shaded in yellow.

Dimension Questions	Q1 Fav	Q2 Fav	Q3 Fav	Q4 Fav	FY10 YTD Fav
USPS Strategic Direction 20. I am aware of current business conditions facing the Postal Service.	81	79	84	82	82
Trust 13. I am confident in the ability of senior management to make the decisions necessary to ensure the future success of the Postal Service.	32	31	31	31	31
Contribution to USPS Growth 17. Rate the quality of the service provided by your office/facility to your customers.	59	59	60	60	59
Communication 16. Rate your immediate supervisor on communicating regularly to keep you informed.	58	58	59	58	58
Diversity & Respect 23. The Postal Service promotes diversity of backgrounds, talents and perspectives.	55	53	54	54	54
Commitment 29. I feel personally responsible for helping the Postal Service succeed as a business.	77	77	77	77	77
Personal Safety 18. Rate the physical working conditions.	53	53	54	53	53
Work Effort & Quality 12. I understand how the work I do impacts the service that the Postal Service provides.	84	84	85	85	84
Overall Index (average of the index questions)					62.3

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22. The 2010 Comprehensive Statement on Postal Operations states (at 51): “[t]he many actions underway to achieve the strategic initiatives are described in more detail in the Comprehensive Statement.” For each of the actions underway, have goals been established to identify the success or failure of each? If so, please provide the goals for each action. If not, please explain.

RESPONSE:

The Annual Performance Plan includes a limited number of measurement categories and targets selected to focus organizational attention on key priorities. The plan does not contain corporate objectives for individual programs or activities. However, once annual corporate objectives are established, the Postal Service assigns accountability for achieving them at the area, district, unit, and individual levels.

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24. In the USPS-FY10-29-Annual Report on Service Performance for Market Dominant Products, filed 12/29/2010, in Docket 2010 ACR includes an Excel file titled "FY10 ACR Standard Mail.xls". Within the file, refer to the "Aggregation" worksheet. The end-to-end volumes (mailpieces) between Quarters varies greatly (from a low of 155,633 mail pieces to a high of 38,414,944 mailpieces).

RESPONSE:

This appears to have been intended as part of question 25, and so the Postal Service provides a joint response in connection with question 25 below.

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25. Despite the very large differences in the number of mailpieces measured between Quarters 2 and 4, in the annual aggregate calculation, these Quarter performance results are treated as nearly equal contributors to the annual percent on time score.

- a. Please specify the reasons for the large volume fluctuations between quarters, particularly for the Quarter 2 end-to-end number of mailpieces. Include the confidence interval range of score values for each quarter percent on time value shown in the table. For the annual percent on-time calculation, include the confidence interval range of values for the percent on time annual score. Identify the specific methodology in the annual score error/confidence interval calculation that would account for the large sample size (mailpieces) differences between quarters.
- b. Explain why the particular choice of aggregation methodology does not factor or weight the calculations to include the actual number of mailpieces measured.

RESPONSE:

- a. The large fluctuations in volumes between quarters are a result of differing sources for the data for Quarters 1, 2, and 3, which relied on mailers participating in the pilot system for Full-Service Intelligent Mail®, and Quarter 4, which used the Full-Service Intelligent Mail Seamless Acceptance and Service Performance (SASP) measurement system. Because the mailers participating in the pilot system changed during the year, there were large fluctuations in the volume of data available in the category of End-to-End Standard Mail. In all four quarters, 100 percent of the available data were used for measurement. The measured volume represented about 0.4 percent of all End-to-End Standard Mail for the year, fluctuating by quarter from less than 0.05 percent to about 2 percent. The large fluctuations reflect the limited volume of measurable mail from the mailers participating during that quarter and do not necessarily indicate fluctuations in actual service performance for the entire population of End-to-End Standard Mail volumes for the quarter. The quarterly range values are provided in USPS-FY10-44 in the spreadsheet "ChIR.4.Q.25.confidence intervals.xls."

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- b. The aggregation methodology was selected to weight each quarter according to the estimated proportion of each quarter's End-to-End Standard Mail volume to the year's total volume. This aggregation methodology is consistent with that used for Destination Entry Standard Mail and for Presort First-Class Mail letters and cards. The methodology was selected as the most appropriate method to reflect the annual performance of the category being measured, given seasonal volume and performance differences observed in those and other mail categories.

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26. In the December 21, 2010, USPS filing titled "Quarterly Performance Reports for Quarter 4-FY2010", there is an Excel file titled "Standard Mail Quarterly Scores.xls" that includes a worksheet titled "SM YTD". The mail pieces delivered between October 1, 2009 to September 30, 2010 are shown by districts. The row entry (row 20) for the Kentuckiana end-to-end column (column D) is empty. The "SM Quarter" worksheet (in the same file) shows the end-to-end percent on time for Kentuckiana as 49.5%. Please update the "SM YTD" worksheet Kentuckiana row in the end-to-end percent on time cell to provide the annual percent on-time score or an explanation for why the cell for the Kentuckiana row is empty.

RESPONSE:

The data in the above-referenced cell of the "SM YTD" worksheet was inadvertently omitted in the version filed with the Commission. The cell should contain a figure of 72.0 percent. A corrected file is included as "ChIR.4.Q.26.Standard Mail Quarterly Scores.xls" in USPS-FY10-44.

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
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