

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

MARKET DOMINANT PRODUCT PRICES
HONGKONG POST - UNITED STATES POSTAL SERVICE
LETTER POST BILATERAL AGREEMENT (MC2010-35)
NEGOTIATED SERVICE AGREEMENT

Docket No.
R2011-4

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S
INFORMATION REQUEST NO. 1**
(March 4, 2011)

The United States Postal Service hereby gives notice of filing its response to Chairman's Information Request No. 1 in this proceeding, which the Commission issued on February 18, 2011. Each question is stated verbatim and followed by the response. Updated financial workpapers and a portion of the response to Question 2 are filed under seal in a nonpublic annex. The Postal Service incorporates by reference the application for non-public treatment that the Postal Service filed with its notice in this docket.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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March 4, 2011

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
COMMISSION INFORMATION REQUEST NO. 1
DOCKET NO. R2011-4**

1. Please refer to the Excel file Hong Kong_MD_IB_2011.01.31.xls, worksheet tab 01_Inputs, and the cell reference Aeg, which provides the number of items per kilogram (IPK). The notes to the worksheet state that the number of IPK was “Determined in Bilateral negotiations.” This negotiated number of IPK differs from the IPK for Hong Kong reported in FY 2010 ICRA, Inbound Calcs.xls, IPK1 and IPK2. For the term of the Agreement, please explain whether the Postal Service will determine the number of IPK for Hong Kong based upon sampling conducted in accordance with the UPU Convention and Regulations, or whether the number of IPK to be applied will be the negotiated number in cell reference Aeg.

RESPONSE:

The parties will apply the above-referenced negotiated items-per-kilogram number.

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2. Please refer to the Notice of the United States Postal Service of Type 2 Rate Adjustment, and Notice of Filing Functionally Equivalent Agreement, January 31, 2011 (Notice), which states that the Agreement “results in improvement over [the] default rates established under the Universal Postal Union (UPU) Acts for inbound Letter Post items.” Notice at 1. Please confirm that the relevant “default rates” for comparison to Period 1 of the Agreement are the following: CY 2011 and CY 2012 terminal dues of 0.159 SDR per item and 1.610 SDR per kilogram and 0.164 SDR per item and 1.648 SDR per kilogram, respectively (Source: UPU Letter Post - Convention, Article 28, 8.2 and Article 28, 8.3); and the Air Conveyance charge found in the Excel file Hong Kong_MD_IB_2011.01.31.xls, worksheet tab 01_Inputs, cell reference Aet. If confirmed, please calculate the cost coverage using the above referenced “default” terminal dues rates and air conveyance charge(s). If not confirmed, please provide the CY 2011 and CY 2012 “default” terminal dues rates and air conveyance charge(s) referenced by the Postal Service in its Notice, and calculate the cost coverage using those “default” terminal dues rates and air conveyance charge(s).

RESPONSE:

Confirmed. However, further review has indicated that CY 2012 was erroneously included in the workpapers, because the agreement’s term only covers the remainder of CY 2011. Updated workpapers are filed non-publicly in connection with this response. The cost coverage using the default terminal dues rates and air conveyance charges is █████ percent.

An unredacted version of this response is filed under seal as part of USPS-R2011-4-NP1.

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3. Please refer to the HongKong Post – United States Postal Service Letter Post Bilateral Agreement, Annex 1, which provides negotiated SDR per piece and SDR per kilogram rates for the following Service Descriptions: Priority Letter Tray, Priority Flat Tray, Priority Bag, Priority M-Bag, Priority Registered Bag, Surface Bag, Surface Registered, and Small Packet with Delivery Scanning. However, in the Excel file Hong Kong_MD_IB_2011.01.31.xls, worksheet tab 10_Current_TDues_Rates, column references [F] and [G], negotiated Period 1 SDR per piece and SDR per kilogram rates are also provided for Priority Bulk Container and Surface M-Bag, which are used in the calculation of revenues for the Agreement. Please identify the source of these additional rates and discuss their inclusion in the Excel file.

RESPONSE:

The Surface M-Bag rate in the above-referenced Excel file is the UPU M-Bag rate. It was not included in the agreement and has been removed from the updated workpapers. The Priority Bulk Container stream was intended to be a part of the contact but was erroneously omitted. It has been added through a contract modification signed by Hong Kong Post, which was filed in this proceeding on March 3, 2011. The Priority Bulk Container stream remains in the updated workpapers to reflect this circumstance.