

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Report, 2011

Docket No. ACR2011

CHAIRMAN'S INFORMATION REQUEST NO. 4

(Issued February 22, 2012)

To clarify the basis of the Postal Service's estimates in its proposals filed in Docket No. ACR2011, 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 29, 2012.

First-Class

1. Please refer to revised response to question 1 of Chairman's Information Request No. 1. For the following discounts the Postal Service identifies the exception claimed under 39 U.S.C. 3622(e)(2)(D) as justification for the passthroughs exceeding 100 percent: 5-Digit Automation Letters, Mixed AADC Automation Cards, AADC Automation Cards, 5-Digit Automation Cards and 3-Digit Automation Flats. Please explain how this exception applies to these discounts. Please be sure to discuss the operations affected.
2. Please refer to the table below for Presort Parcels volume, revenue, and attributable costs. The revenue and volume data are obtained from the RPW reports, and the attributable costs are from the CRA Model. The cost per piece is calculated by dividing attributable costs by volume. Please explain the significant differences in Presort Parcels revenue, volume and cost per piece between FY 2010 and FY 2011.

	FY 2010				FY 2011			
	RPW Revenue	RPW Volume	CRA Attributable Cost	Cost per Piece	RPW Revenue	RPW Volume	CRA Attributable Cost	Cost per Piece
First Class Presort Commercial Base Parcels					380,569,119	189,973,164		
First Class Commercial Plus Mixed ADC > 3.5 Ounces					858,564	223,561		
Total Presort Parcels	24,809,161	16,041,409	22,281,374	1.39	381,427,683	190,196,725	25368771	0.13

Standard

3. In Response to CHIR No. 1 question 8, for NFMs and Parcels, the Postal Service states “if rate shock appears to be a risk, the Postal Service would justify the excess passthroughs under the exception in 3622(e)(2)(B)”. Please identify the specific passthroughs the Postal Service wishes to justify under 3622(e)(2)(B) and provide qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support use of this exception.

4. In its initial comments, Valpak discusses the volatility in the delivery cost of Standard Mail Carrier Route letters. See Valpak Direct Marketing Systems Inc. and Valpak Dealers’ Association Inc. Initial Comments at 100-101.
 - a. Please explain why the unit delivery costs for Carrier Route letters increased 88 percent from FY 2010 to FY 2011.
 - b. Please explain why the unit delivery cost for a Carrier Route letter is three times the cost of a Carrier Route Flat, and nine times the delivery cost of a High Density letter.
 - c. Please discuss whether modeling the unit delivery costs for Carrier Route letters will help create a more accurate and/or reliable unit delivery cost estimate for Carrier Route letters.

International Mail

5. Please refer to USPS-FY10-NP2, Excel file Reports (Booked).xls. In worksheet tab A Pages (md), the cost coverage for Inbound Single-Piece First-Class Mail from target system countries paying UPU rates exceeds the cost coverage for inbound letter post items entered pursuant to the TNT Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators. In its request seeking approval of this agreement, the Postal Service maintained that the negotiated rates would result in an improvement over the default rates established under the UPU Acts for inbound letter post items. Please explain why the cost coverage for the TNT inbound multi-service agreement did not exceed the cost coverage for inbound letter post items at UPU target system rates, and what steps the Postal Service plans to take to improve cost coverage for letter post items entered pursuant to the agreement.

6. The following questions concern Inbound Surface Parcel Post (at non-UPU rates). Please refer to USPS-FY11-NP2, Excel file "Reports (Booked).xls," worksheet tab A-Pages (c), Table A-2. Also, please refer to worksheet tab Pivot5.
 - a. For FY 2011, Quarter 1, please confirm that the reporting category "Inbound Surface Parcel Post (at non-UPU rates)" consists entirely of Inbound Surface Parcels from Canada that were entered pursuant to the Canada Post—United States Postal Service Contractual Bilateral Agreement for Inbound Competitive Services (Docket Nos. MC2010-14 and CP2010-13). If not confirmed, please explain. If confirmed, please explain why the financial results for Inbound Surface Parcel Post (at non-UPU rates) is reported separately from the reporting category Canada

Post—USPS Contractual Bilateral Agreement for Inbound Competitive Services in Table A-2.

- b. In worksheet tab Pivot5, please confirm that line 145 reports the financial results for Xpresspost items entered during FY 2011, Quarter 1. If not confirmed, please explain and identify where such results are reported. Also, please explain whether the financial results for Inbound Surface Parcels and Expedited Parcels during FY 2011, Quarter 1, are also reported in line 145.
 - c. In worksheet tab Pivot5, please confirm that line 124 reports the financial results for Xpresspost items entered during FY 2011, Quarters 2-4. If not confirmed, please explain and identify where such results are reported.
7. The following questions concern Inbound Air Parcel Post. In Docket No. ACR2010, Library Reference USPS-FY10-NP2, Excel file Reports (Booked).xls, worksheet tab Pivot3 and the Postal Service's response to CHIR No. 2, question 3, identified a group of operators that entered Inbound Air Parcels at "non-UPU rates" during FY 2010. In Library Reference USPS-FY11-NP2, Excel file Reports (Booked).xls, worksheet tab Pivot3, the same group of operators are categorized as entering Inbound Air Parcels at "UPU rates." For FY 2011, please confirm that the operators should be categorized as entering Inbound Air Parcels at "non-UPU rates." If not confirmed, please explain the change from FY 2010 to FY 2011.
 8. This question refers to Outbound Single-Piece First-Class Mail International to Canada (FCMI-Canada). In response to CHIR No. 1, question 37, the Postal Service explained that FY 2011 FCMI-Canada revenues did not cover booked attributable cost because of an adjustment for prior years' provisional payments. In response to CHIR No. 3, question 6(e), the Postal Service stated that there

was no similar adjustment to imputed costs. Despite the lack of this adjustment, FY 2011 FCMI-Canada revenues did not cover imputed attributable costs. Please explain.

Parcel Return Service

9. Please refer to Library Reference USPS-FY11-NP1, Excel file '2011 Parcel Return Service BD,' worksheet "BD Total," lines 84-86, which report billing determinant data for the following categories: "PRS Paying Priority Mail Postage," "PRS Paying Parcel Select Postage," and "PRS Paying Parcel Post Postage."
 - a. Please provide a description of each category listed above.
 - b. Please provide a justification for classifying each category listed above in the Parcel Return Service billing determinants.
 - c. Please explain how the costs for each category listed above are attributed to Parcel Return Service.

FY 2011 Performance Report and FY 2012 Performance Plan

10. Service performance scores for Express Mail, Priority Mail, and Parcel Select were listed as performance indicators on page 2 of the FY 2010 Performance Report and FY 2011 Performance Plan. See USPS-FY10-17, filed Dec. 29, 2010. Are they also performance indicators in the FY 2011 Performance Report and FY 2012 Performance Plan? If so, please provide FY 2011 targets, FY 2011 results, and FY 2012 targets. If not, please explain why they are no longer performance indicators.

11. In FY 2011, service performance scores for Single-Piece First-Class Mail fell below FY 2011 targets for all three performance indicators (Overnight, 2 Days, and 3-5 Days). Please describe plans and schedules for achieving the FY 2012 targets. See 39 U.S.C. § 2804(d)(3).
12. In FY 2011, Deliveries per Work Hour of 39.9 appears not to have met the FY 2011 target of 40.4 deliveries. Comprehensive Statement at 33. Please explain why the target was not met and those plans and schedules for achieving the FY 2012 target. See 39 U.S.C. § 2804(d)(3).
13. In FY 2011, the OSHA illness and injury rate of 5.67 appears not to have met the FY 2011 target of 5.39. Comprehensive Statement at 33. Please explain why the target was not met and any plans and schedules for achieving the FY 2012 target. See 39 U.S.C. § 2804(d)(3).
14. The Voice of the Employee (VOE) Survey is a performance indicator for achieving the Postal Service's performance goal of Improve Safety and Employee Engagement. In FY 2011, the Postal Service achieved a score of 64.7. Comprehensive Statement at 33.
 - a. Please provide a copy of the FY 2011 VOE Survey form.
 - b. Please provide the summary statistics of the employee responses to each question and explain how the score of 64.7 was calculated. Include in your response the derivation of all calculated values and cite source documents relied upon.
 - c. The FY 2012 target for the VOE survey index was not included because the VOE 2012 Plan was pending approval by the Postal Service Executive Leadership Team. Comprehensive Statement at 33. Has the VOE 2012

Plan been approved? If so, please provide the FY 2012 target for the VOE Survey.

15. Please refer to PRC_Report_One.xls and PRC_Report_Two.xls, which were filed with the Commission on December 29, 2010, in Docket No. R2010-3.
 - a. Please update the tab: PRC_Standard with the data filed by the Postal Service in its Final Data Collection Report on May 16, 2011.
 - b. Please explain any differences, except for the addition of October 2010 volume and revenue data and the addition of omitted mailers, that exists between the December 29, 2010, data and the data requested in question 1.a.

Service Performance

16. Page 16 of the Annual Report on Service Performance for Market Dominant Products states:

Service performance results are expected to improve as more customers adopt Full Service Intelligent Mail and as mailer and Postal Service issues are resolved. Additionally, new business rules for start-the-clock scan policies for standard mailing have been implemented which will improve the accuracy of service measurement. A Postal Service scan of individual containers upon entry constitutes the start the clock event, when available.

 - a. Please explain in detail how much of the lower than expected service performance results can be attributed to low Full Service Intelligent Mail participation?
 - b. How much of the lower than expected service performance results can be attributed to inconsistent start the clock data?
 - c. What percent of individual containers are currently scanned to obtain the start the clock event?

- d. Does the Postal Service have a target for the percentage of containers that will need to be scanned in order to reach service performance goals?
 - e. Please provide monthly service performance scores for First-Class commercial mail from the time the rules were implemented through the end of fiscal year 2011.
17. Service performance results for First-Class Commercial Mail were explained using the following language found on pages 10-11 of the Annual Report on Service Performance for Market Dominant Products:
- “Prior to Quarter 4, we relied on mailer-provided information to start-the-clock and found it to be inconsistent. Quarter 4 saw a change to the reliance on Postal scans to start-the-clock. While there was an initial downturn in performance under the new rules, with a much larger set of mailers, service scores have improved steadily since this time...”
- a. What specific mailer provided information was used to start-the-clock prior to quarter 4?
 - b. How was it inconsistent?
 - c. Please explain why there was an initial downturn in performance following the rule change.
 - d. Please provide monthly service performance scores for First-Class commercial mail from the time the rules were implemented through the end of fiscal year 2011.
 - e. What percent of individual containers are currently scanned to obtain the start the clock event?
 - f. Does the Postal Service have a target for the percentage of containers that will need to be scanned in order to reach service performance goals?

18. The Postal Service states that the new rules for start-the-clock scan policies were implemented in July 2011.
 - a. Please provide a copy of the rules.
 - b. Please explain in detail how the new rules are enforced.

Miscellaneous

19. The Postal Service states,

There was \$90,929,197.87 in rebate credits paid in six rebate rounds. Rebate earners mailed 4.3 billion Standard Mail letter and flat mailpieces during the July 1 through September 30, 2010, timeframe...

2010 Summer Sale Final Data Collection Report at 1.

 - a. Please reconcile the \$90,929,197.87 rebate credits with the \$60,742,388 shown in PRC_Summary_4-20-2011v2.xlsx, cell:B52.
 - b. Please reconcile the 4.3 billion Standard Mail letter and flat mailpieces figure, with the sum of cells K6:M12 and K15:M21 in PRC_Summary_4-20-2011v2.xlsx (2.6 billion pieces).
20. In the Docket No. R2010-3 Data Collection Report included in Order No. 439 the Postal Service is to, among other things, provide “for all mailers for which rebates have been paid, information on any rebates paid, **with supporting calculations**” (emphasis added). In PRC_Report_4-20-2011v2.xls the Postal Service provides the following rebate calculation for each mailer:

Rebate Calculation for each Mailer	
June Threshold	2,753,444
Summer Threshold	10,619,507
October Threshold	2,751,369
Incremental Volume	1,692,993
June Adjustment	-978,501
October Adjustment	0
Eligible Volume	714,492
Incremental Volume Adjustment	293,974
Average Revenue Per Piece	\$0.264
Final Rebate	\$79,977

All of the data shown above is hardcoded. Please update each mailer's rebate calculation to show all supporting calculations.

21. Please refer to ACR 2010, Library Reference USPS-FY10-38 – USPS Market Dominant Product Customer Satisfaction Measurement Survey Instruments. Please provide the corresponding data for FY 2011 for the file: 'CSM Question Response Counts_FY10.xls'.

22. Please refer to the volume and revenue for Alternate Postage Payment Method for Greeting Cards presented in the table on page 65 of the FY 2011 ACR.
 - a. Please confirm that the volume in the table represents the total number of mailpieces sold or distributed by participating companies to either customers or third-party vendors. If not confirmed, please explain what this number represents.
 - b. Please confirm that the revenue represents both postage paid in advance based on the total number of mailpieces sold or distributed to either customers or third-party vendors and postage collected based on Intelligent Mail barcode (IMb) scans of the cards that were mailed. If not confirmed, please explain what this number represents.

23. Please confirm that the Alternate Payment Method for the Greeting Cards Market Test started January 1, 2011. If not confirmed, please provide the starting date.
24. Please provide the date the Postal Service expects to file the first Periodic Data Report for the Alternate Payment Method for Greeting Cards Market Test?
25. This is a follow-up to the Postal Service's Response to CHIR No. 3, Question 16:
 - a. Please provide information on the status of the development of the field guidebook for collection services.
 - b. Please describe the nature of any recent changes to the density tests used to evaluate collection box usage. Please describe any differences between the density tests used for different types of collection boxes, such as a time decal box versus a regular collection box.
 - c. Please provide information on the Postal Service's plans to replace collection boxes that are no longer physically serviceable.
 - d. By what means are Area Offices being asked to identify locations lacking collection boxes but where collection boxes are needed? What is the administrative process by which a new collection box is installed in a location that previously did not have a collection box? How frequently do such new installations occur?

By the Chairman.

Ruth Y. Goldway