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

Annual Compliance Review, 2012 Docket No. ACR2012

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued January 4, 2013)

To clarify the basis of the Postal Service's estimates in its FY 2010 Annual Compliance Report (ACR), filed December 28, 2012, 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 January 14, 2013.

Periodicals

1. In the FY 2011 ACD, the Commission stated that it "expects that in the Postal Service's FY 2012 ACR it will identify and report on actions taken to reduce the costs of handling flats, and the impact of those actions on the cost of handling flats and the service received by Periodicals." FY 2011 ACD at 106. In its FY 2012 ACR, the Postal Service states the following:

> The Postal Service shares the Commission's concern about Periodicals cost coverage, and, as stated in the *Periodicals Mail Study*, 'the Postal Service and the Commission will continue to work together to identify and address challenges related to Periodicals.' That Study outlined the continuing steps that the Postal Service is taking to reduce costs. While the Postal Service believes that some of the savings from those steps began to accrue in FY 2012, it is clear that they did not impact the cost coverage appreciably. Of course, some of the initiatives are longer-term than one year, and in some instances costs from the changes associated with those initiatives have been incurred while the

> associated savings may take longer to realize. FY 2012 Annual Compliance Report at 27 (footnote omitted).

a. Has the Postal Service identified the actions taken to reduce Periodicals flats costs in FY 2012? If so, please provide a list and explanation of these actions.

b. Has the Postal Service quantified the cost impact of the actions taken to reduce Periodicals flats costs in FY 2012? If so, please provide the calculations and underlying information used to quantify the cost impact of the actions used to reduce flats costs in FY 2012.

c. Has the Postal Service measured the impact of the actions taken to reduce Periodicals flats costs on the service received by Periodicals in FY 2012? If so, please provide the results and underlying information used to measure the impact of these actions.

Standard Mail

2. As required by the FY 2010 Annual Compliance Determination (at 107), please provide the following information regarding the Standard Mail Flats product.

   a. Describe all operational changes designed to reduce flat costs in FY 2012 and estimate the financial effects of such changes.

   b. Describe all costing methodology or measurement improvements made in FY 2012 and estimate the financial effects of such changes.

   c. Provide a statement summarizing the historical and current fiscal year subsidy of the Flats product, and the estimated timeline for phasing out this subsidy.

3. Please identify each Standard Mail nonprofit workshare discount that differs from its commercial counterpart. In addition, calculate its passthrough and, if necessary, provide a justification pursuant to 39 U.S.C. 3622(e).

Market Dominant NSAs

4. Please refer to USPS-FY12-30, Excel file: ACR_NSA_FY12_report.xls, tab: MC2011-19 Discover NSA. Please provide the underlying calculations for the $2,571,996 in rebates paid for First-Class NSA mailpieces and the $3,051,958 in rebates paid for Standard Mail NSA mailpieces.

International Mail

5. The following questions pertain to the quality of service link to terminal dues for inbound letter post (Inbound First-Class Mail International).
   a. For CY 2011, please provide the final monthly and annual quality of service measurement results for the link to terminal dues that were provided to the Postal Service by the International Post Corporation or its contractor.
   b. For CY 2012, please provide the preliminary monthly quality of service measurement results for the link to terminal dues that were provided to the Postal Service by the International Post Corporation or its contractor.

6. The following questions concern Inbound Express Mail Service (EMS).

a. In Docket No. ACR2011, the Commission requested the CY 2011 EMS Cooperative Report Card. The Postal Service's response stated that the CY 2011 EMS Cooperative Report Card would not be available until at least mid-February 2012. Postal Service Response to CHIR No. 1, question 32. The CY 2011 EMS Cooperative Report Card was not filed in Docket No. ACR2011. With respect to CY 2012, please provide the CY 2012 EMS Cooperative Report Card by filing it in the instant docket when it is provided to the Postal Service.

b. Please provide the available EMS Cooperative quarterly report cards for CY 2012 provided to the Postal Service.

7. The following question concerns inbound international mail. For FY 2012, please provide the number of cubic feet separately for inbound Air LC/AO,[1] Surface LC/AO, Surface Parcel Post, Air Parcel Post, and EMS from Canada and the rest of the world (separated by Industrialized Countries (ICs) and Developing Countries (DCs), if possible).

8. The following questions concern international mail and the Foreign Postal Settlement (FPS) system. In Docket No. RM2012-7, the Postal Service presented Proposal Seven, and stated that for FY 2012, inbound revenue reported in the International Cost and Revenue Analysis (ICRA) Imputed version will not be the same as inbound revenue reported in the ICRA Booked version, or the Revenue, Pieces and Weight (RPW) report. Response to CHIR No. 1, question 1. The Postal Service also stated that Proposal Seven did not entirely eliminate the need for the ICRA Booked and Imputed versions because the proposal did not address outbound international cost calculations. Petition at 4.

[1] LC/AO—(French) *lettres et cartes* and *autres objets*; literally "letters and cards" and "other objects."

a. Please identify and explain all technical and other issues that precluded the Postal Service from reporting international revenues and costs by product in a single or unified version of the FY 2012 ICRA that is consistent with the Postal Service’s financial statements.

b. Please discuss Postal Service plans to address the technical and other issues identified in subpart (a), and provide a schedule for completing any necessary work, to permit the reporting of international revenues and costs by product in a single or unified version of the ICRA that is consistent with the Postal Service’s financial statements.

Special Services

9. The following question refers to the Postal Service Library Reference “USPS-FY 12-4,” filename “FY 2012 Special Services.xls.” Money Order revenue is reported as $165,092,887. However, Money Order revenue differs from that reported in the United States Postal Service FY 2012 Annual Compliance Report, Table 6 at 31.

a. Please confirm that the difference between the revenue shown in USPS-FY12-4 and the revenue shown in Table 6 is the interest income from the Money Order float. If not confirmed, please provide the correct FY 2012 Money Order float and provide a detailed explanation of the difference between the Money Order revenue shown in the FY 2012 Annual Compliance Report and what is shown in USPS-FY12-4.

b. Please include in your response the workpapers used to calculate the Money Order float.

10. In Docket No. ACR2011, in response to CHIR No. 1, question 39, the Postal Service provided a table showing the distribution of FY 2011 mailing fees for market dominant mail categories.

a. Please confirm that Table 1 represents the complete list of Special Service fees by mail class. If not, please provide an updated list.

b. Please provide the FY 2012 market dominant mailing fees identified in Table 1 below, distributed to the list of mail categories shown in Excel file CHIR_No.1_Attachment_A.xls, worksheet “Market Dominant Mail Categories.” In doing so, please provide all underlying calculations and source workpapers.

Table 1: Docket No. ACR2012
FY 2012 Mailing Fees for Market Dominant Mail

Fee Category	Fees (000)
MARKET DOMINANT MAIL	
First-Class Mail Fees:	
Domestic First-Class Mail Fees:	
Business Reply Service	
Certificates of Mailing	
Merchandise Return Service	
Special Handling	
Postage Due	
Address Services	
Application and Mailing Permits	
Total Domestic First-Class Mail Fees	**0.000**
International First-Class Mail Fees:	
Certificates of Mailing International	
Postage Due Foreign Origin Surface LC/AO	
Postage Due Foreign Origin Air LC/AO	
Postage Due First-Class International (Return Mail)	
Total International First-Class Mail Fees	**0.000**
Total First-Class Mail Fees	**0.000**
Standard Mail Fees:	
Bulk Parcel Return Service	
Address Services	
Application and Mailing Permits	
Total Standard Mail Fees	**0.000**
Periodicals Fees:	
Address Services	
Application and Mailing Permits	
Total Periodicals Fees	**0.000**
Package Services Fees:	
Certificates of Mailing	
Address Services	
Application and Mailing Permits	
Merchandise Return Service	
Parcel Airlift Service	
Special Handling	
Total Package Services Fees	**0.000**
Market Dominant Mail Fees	**0.000**

11. In Docket No. ACR2011, in response to CHIR No. 1, question 40, the Postal Service provided a table showing the distribution of FY 2011 mailing fees for competitive mail.

a. Please confirm that Table 2 represents the complete list of Special Service fees by mail class. If not, please provide an updated list.

b. Please provide the FY 2012 competitive mailing fees in Table 2 below, distributed to the list of mail categories provided in the Excel file CHIR_No.1_Attachment_A.xls, worksheet "Competitive Mail Categories." In doing so, please provide all underlying calculations and source workpapers.

Table 2: Docket No. ACR2012 FY 2012 Mailing Fees for Competitive Mail	
Fee Category	**Fees (000)**
COMPETITIVE MAIL	
Priority Mail Fees:	
Domestic Priority Mail Fees:	
Business Reply Service	
Certificates of Mailing	
Merchandise Return Service	
Special Handling	
Address Services	
International Mail Fees:	
Intl Certificates of Mailing-Priority Mail Intl	
Postage Due-Priority Mail Intl (Return Intl)	
Postage Due Foreign Origin Intl Airmail Parcels	
Postage Due Foreign Origin Intl Surface Parcels	

12. The following table presents the volume and attributable cost of "Stamp Fulfillment Services Philatelic Products" as reported in USPS-FY12-4 worksheet

"SFS," USPS-FY12-28 spreadsheets "Summary" and "Order Type & Rev," and the United States Postal Service FY 2012 Annual Compliance Report Table 6 at 31. Please identify the correct volumes and attributable costs for "Stamp Fulfillment Services Philatelic Products" and/or explain the differences between the figures presented in each source.

Reference	**Volumes**	**Attributable Costs**
FY12 ACR, table 6 at 31	2.7 million	$5.6 million
USPS-FY12-28	2,867,559	$6,523,854
USPS-FY12-4	2,604,390	N/A

MODS Data

13. Please provide the daily Management Operating Data System (MODS) volumes and workhours for FY 2012 by plant, operation, and tour. Please provide the FY 2012 data in a similar format as that provided to the Commission in Docket No. N2012-1, USPS-LR-NP10. For each record, include:
    a. Finance number – (plant finance number, 6 digits)
    b. Date – (YYYYMMDD format),
    c. MODS tour – (1, 2, or 3),
    d. operation – (3-digit MODS operation),
    e. FHP – (MODS First-Handling Pieces),
    f. TPH – (MODS Total Pieces Handled),
    g. TPF– (MODS Total Pieces Fed),
    h. nonaddtph – MODS Non-Add TPH,
    i. hours – MODS workhours, and
    j. facility-type – e.g., MODS facility (used to calculate ACR 2012/USPS-FY12-LR-23 MODS productivities), NDC, REC, ISC, etc.

Miscellaneous

14. In its response to CHIR No. 1, question 38, in Docket No. ACR2011, and also CHIR No.1, question 29 in Docket No. ACR2010, the Postal Service submitted the RPW Extract File. *See* Excel file CHIR1.38.XLS in Docket No. ACR2011 and Library Reference USPS-FY10-NP30, Excel file "CHIR.1.Q.20.NONPUBLIC.FY2010_RPWextractfile.xls" in Docket No ACR2010. These files consist of the following three worksheet tabs containing comprehensive mail category revenue, pieces, and weight data for FY 2011: "Summary Category RPW Data", "Rate Category RPW Data", and "RPW Report". Please provide an Excel file that includes the aforementioned worksheet tabs and the same comprehensive mail category data from the RPW, updated for FY 2012.

15. Please provide the spreadsheets which calculate the workyears and the workyear conversion factor found in USPS-FY12-7 Part VIII, Productive Hourly Rates. Identify all data sources and include all data used to compute the workyears and conversion factor.

By the Chairman.

Ruth Y. Goldway