

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

ANNUAL COMPLIANCE REVIEW, 2012

Docket No. ACR2012

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS
1-4, 8-11, AND 13-14 OF CHAIRMAN'S INFORMATION REQUEST NO. 9**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 9, issued on February 15, 2013. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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RESPONSES OF THE UNITED STATES POSTAL SERVICE
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Question 1

Refer to the response to CHIR No. 5, question 4, where the Postal Service identifies USPS-FY12-NP2 (Revised), Excel file Inputs.xls, worksheet tab GDEI as the source for the detailed financial results used to derive total revenue, pieces, pounds and volume variable costs for Global Direct Entry with Foreign Postal Administrations reported in the FY 2012 ICRA, as shown in Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (md), Table A-2. The total revenue reported in worksheet tab GDEI, cell C13, for Global Direct Entry is greater than the total revenue for Global Direct Entry reported in worksheet tab A Pages (md), Table A-2, cell D86. Please reconcile.

RESPONSE:

While benchmarking revenue in Excel file Reports (Booked).xls (Revised 1-14-13), and also Reports (Booked).xls (Revised 2-8-13), tab Revenue Reconciliation w RPW, \$ [REDACTED] of GDEI First Class revenue was inadvertently removed. The effect of replacing the amount would be to increase GDEI revenue and contribution in Reports (Booked).xls by \$ [REDACTED]. Subtotals and totals that include GDEI would also increase, most notably GDEI revenue per piece, which would increase from [REDACTED] per piece to [REDACTED] per piece.

Pieces, weight and costs are unchanged because they are not affected by the benchmarking process.

[Note that an unredacted version of this response appears in USPS-FY12-NP39.]

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Question 2

Refer to the response to CHIR No. 7, question 1(a), where it states that Australia and China were not assigned to Tier 1 or Tier 2 because Australia-origin and China-origin "inbound EMS was grouped outside the EMS rates set in connection with the EMS grouping associated with Order No. 162." [Citation omitted]. Also, refer to the response to CHIR No. 4, question 12 (a) and (b). Based upon the response to question 12(a) that Australia and China were Kahala Posts Group (KPG) members, and therefore subject to Article 10 of the KPG Strategic Services Agreement 2012, but were not grouped in Tier 1 (or Tier 2), please confirm that Tier 1 and Tier 2 do not constitute a comprehensive grouping of all countries that enter inbound EMS into the U.S. If not confirmed, please explain. If confirmed, please explain why a third and fourth tier are not established to group a) countries that have bilateral agreements with the Postal Service but also are members of the Kahala Posts Group or are subject to the EMS Pay-for-Performance plan; and, b) countries with bilateral agreements that are *not* members of the Kahala Posts Group or otherwise subject to the EMS Pay-for-Performance plan, respectively.

RESPONSE:

Confirmed that Tier 1 and 2 do not constitute a comprehensive grouping of all countries that enter inbound EMS into the U.S. Third and fourth tiers are not established because the rates for those other categories of countries are not established under the Governor's Decision applicable to the Inbound International Expedited Services 2 classification associated with either Order No. 162 or Order No. 281.

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Question 3

The operation-to-productivity group map provided in CHIR4Q16.xls shows MODS operations 276 (DBCS/DIOSS OSS I/C Secondary) and 277 (DBCS/DIOSS OSS Box Section) mapped to USPS-FY12-23 productivity group 12-In BCS Secondary. In Docket No. RM2012-2, the Postal Service's response to CHIR No. 1, question 3 (ChIR_No_1_3.xls) shows a note for these MODS operation codes (276 and 277): "Discontinued FY 2012." Please resolve this apparent discrepancy.

RESPONSE:

Note that according to CHIR4Q16.xls, MODS operations 276 and 277 are assigned to group 11—Incoming Secondary BCS (1 Pass). Those operations had a small amount of data in FY 2012. Since the operation numbers were not otherwise redefined, the data were retained for the calculation of the group 11 productivity in USPS-FY12-23. The workhours and workloads for those operations are sufficiently small (representing less than 0.2 percent of the group 11 totals) that they have no material effect on the measured Incoming Secondary BCS productivity.

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Question 4

In USPS-FY12-23.Preface.pdf, section "III. Program Documentation, A. Mail Processing Plant Productivities" at 6, inputs to the modsprod.f program show two inputs as: "bmclist – List of 21 NDCs and ASFs" and "vvpositions – List of the 375 facility IDs." However, the 2012 MODS raw data file (provided in CHIR No.1, question 13, USPS-FY12-NP31) contains 22 unique finance numbers (facility_type=1/NDC) and 368 other finance numbers. Please resolve the difference between the total number of facilities shown in the USPS-FY12-23.Preface.pdf (total number of facilities = 396) and the MODS raw data file in USPS-FY12-NP31 (total number of facilities/unique finance numbers = 390).

RESPONSE:

The length of the 'vvpositions' list provides for a dimension of an array used in the Fortran processing of the MODS data. This was set to a value greater than the number of active MODS facilities to allow a data array to accommodate growth of the mail processing network with minimal reprogramming (note that the earliest versions of modsprod.f date to FY 1998). The difference is between the number of facility ID positions available in 'vvpositions' and the actual number of active MODS finance numbers.

The NDC productivities in USPS-FY12-23 use the data for 21 NDC finance numbers. The 22nd finance number is a finance number that was assigned to the NDC CAG stratum in IOCS, and thus assigned the NDC facility type code in USPS-FY12-NP31. However, that finance number reports no volumes or workhours in operations for which NDC productivities are reported and is not used in the productivity calculations.

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Question 8

Please refer to the United States Postal Service FY 2012 Annual Compliance Report at page 44.

- a. Please confirm that the volume, revenue, and cost information for market tests provided in the table represent FY 2012 only, rather than cumulative data reflecting the entire span of the respective market tests. If not confirmed, please provide volume, revenue, and cost information for FY 2012 only.
- b. Please confirm that the volume, revenue, and cost information presented for EDDM-R reflect only the portion of FY 2012 in which the market test was in effect. If not confirmed, please separately provide data that reflect only the portion of FY 2012 in which the market test was in effect, and data that reflect only the portion of FY 2012 in which EDDM-R was an established market dominant product.

RESPONSE:

- a. Confirmed.
- b. Confirmed. The market test was in effect for all of FY 2012. EDDM-R did not become a permanent product until January 27, 2013.

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Question 9

In its comments, ACMA addresses the possibility of a multiplier effect for Standard Mail Flats. It asserts that “an increase in catalog volume would be expected to cause an increase in parcels and First-Class letters.” ACMA Comments at 20. Please quantify the revenue, volume, and contribution from other products that are generated by Standard Mail Flats catalogs and describe the basis on which those figures are developed.

RESPONSE:

Because the mailing behavior of each Standard Mail Flats customer can vary greatly, the Postal Service cannot calculate a multiplier effect that applies universally across all Flats mailers. However, from experience, and from working with our clients, the Postal Service knows that additional First-Class Mail®, Parcel, and Standard Mail® volumes are directly related to the initial catalogue volume mailed. Indeed, some valuable insights can be drawn from the results of a recent survey of the membership of the American Catalogue Mailers Association (ACMA), which were shared with the Postal Service.

These results show that, on average, about 3.3 percent of catalog shipments result in a merchandise order. Of those orders, just under ten percent are placed using the mail (typically First-Class Mail or Business Reply Mail). The typical order results in the shipment of roughly 1.3 packages containing merchandise. Of the merchandise shipments generated, roughly ten percent are fulfilled using exclusive USPS package products (e.g. Priority Mail or Parcel Select). An additional forty percent of the merchandise shipments generated are fulfilled using competitor products that employ the Postal Service for “last-mile” delivery (i.e. FedEx SmartPost® and UPS SurePost). In addition, approximately 16 percent of all merchandise orders result in additional First-Class Mail contact with the purchaser.

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While the Postal Service acknowledges that these results do not allow it to quantify a multiplier effect, they do offer some insight into how catalogue mailers benefit the overall mailstream. Given additional time, and after addressing potential privacy concerns, the Postal Service hopes to explore the potential for further research in this area.

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Question 10

In its comments, ACMA suggests that Standard Mail Flats are to some extent the residual of Carrier Route catalog mailings.

- a. For FY 2012, what percentage of Standard Mail Flats volume was residual to Carrier Route and/or High Density flats?
- b. For FY 2012, what percentage of Standard Mail Flats volume were catalogs?
- c. For FY 2012, what percentage of Carrier Route flats and High Density flats volume were catalogs?

RESPONSE:

- a. The table below includes only those mailings where Enhanced Carrier Route (ECR) mailings were prepared. The term 'residual' is used to refer to the "Non-ECR Transaction" portion of the mailings. Of the total volume shown below, 26.7% is considered residual because it did not meet the density threshold (for an individual route) needed to qualify for ECR presort.

Rate Level	ECR Transaction	Non-ECR Transaction	Total	ECR %
MADC Auto	23,328,586	38,440,710	61,769,296	37.8%
ADC Auto	49,082,750	85,674,560	134,757,310	36.4%
3-Digit Auto	944,422,020	643,413,586	1,587,835,606	59.5%
5-Digit Auto	3,118,614,186	667,886,916	3,786,501,102	82.4%
MADC Non-Auto	18,136,507	32,399,315	50,535,822	35.9%
ADC Non-Auto	12,424,110	17,082,073	29,506,183	42.1%
3-Digit Non-Auto	55,842,089	49,797,256	105,639,345	52.9%
5-Digit Non-Auto	92,373,091	38,021,960	130,395,051	70.8%
Total	4,314,223,339	1,572,716,376	5,886,939,715	73.3%

- b. Data is not available
- c. Data is not available

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Question 11

Please provide a reconciliation of the numbers of (1) Post Offices, (2) Stations, Branches, and Carrier Annexes shown in the Postal Service's Annual Report to Congress (at 23) with the corresponding figures shown in ACR Library Reference USPS-LR-FY12-33, "*PostOfficesFY2012*".xls.

RESPONSE:

See the response to Chairman's Information Request No. 5, Question 32.

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Question 13

In the Excel file "CHIR2.3".xls. provided in response to CHIR No. 2, question 3, please specify whether the records shown on the worksheet "Results" represent CPOs and CPUs in existence at the beginning of FY 2012 or the end of FY 2012.

RESPONSE:

The Excel file provided in response to Chairman's Information Request No. 2, Question 3 includes CPOs and CPUs in existence at any time during FY 2012, including those operating at the beginning of FY 2012 and those operating at the end of FY 2012.

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Question 14

Do the Handbook PO-101 Suspension procedures apply to Contract Postal Units and/or Community Post Offices? If the answer is yes, please provide an Excel spreadsheet listing of CPOs and CPUs suspended during FY 2012 including the CPO/CPU name, ID Number, City, State and 5-digit Zip Code. If the answer is no, please explain.

RESPONSE:

No. Handbook PO-101 does not apply to contractor-operated retail facilities.