

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 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 10

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 10, issued on February 25, 2013. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Question 1

In the response to CHIR No. 8, question 2, concerning negotiated service agreements (NSAs) within the Inbound Market Dominant Multi-Service Agreements with Foreign Postal Operators 1 product, the Postal Service states that "For FY 2012, contract-specific rate for both the NL Post and Hongkong Post bilateral agreements are providing above-UPU cost coverage for the actual volumes exchanged." Please identify in the FY 2012 ICRA the financial results that are the basis for this comparative statement, or show all calculations used to develop the cost coverage at the UPU rates applicable to NL Post and Hongkong Post for purposes of comparison with the cost coverage at the NL Post and Hongkong Post contract-specific rates for the actual volumes exchanged during FY 2012.

RESPONSE:

Excel file ChIR10.Q1.Nonpublic.xls, filed under seal in USPS-FY12-NP40, shows the calculations used to develop the cost coverage at the UPU rates applicable to Post NL and Hongkong Post for purposes of comparison with the cost coverage at the Post NL and Hongkong Post contract-specific rates for the actual volumes exchanged during FY12.

To develop the comparison, the only changes made to USPS-FY12-NP2 (Revised 2-8-13) were to replace the Bilateral Rates for the Netherlands and Hong Kong in Excel file Inputs.xls with the UPU rates that would have applied in the absence of the Bilateral Agreements. In ChIR10.Q1.Nonpublic.xls, tabs NL_In_CY1_ACR, NL_In_CY2_ACR, HK_In_CY1_ACR, and HK_In_CY2_ACR, the Inputs.xls Bilateral Rates for the Netherlands and Hong Kong are highlighted in yellow. (The tables in each tab are copies of the corresponding rate tables from USPS-FY12-NP2 (Revised 2-8-13), Excel file Inputs.xls.) The revenues resulting from using the input rates are highlighted in green in the tab Pivot3_ACR, which is taken from the Pivot3 tab of USPS-FY12-NP2 (Revised 2-8-13) Reports.xls.

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The ChIR10.Q1.Nonpublic.xls tabs NL_In_CY1_UPU, NL_In_CY2_UPU, HK_In_CY1_UPU, and HK_In_CY2_UPU show the same rate tables as above, but with the Bilateral Rates for the Netherlands and Hong Kong replaced by the UPU rates that would have been applicable had the Multi-Service Agreements with Post NL and HongKong Post not existed. The referenced rate changes are shaded in blue.

After making only the changes shaded in blue described above, the ICRA results provided in the Pivot3 tab of Reports.xls are shown in the Pivot3_UPU tab of ChIR10.Q1.Nonpublic.xls.

The difference in performance obtained from using the Bilateral Agreement rates and what would have been obtained from using UPU rates is shown in the tab Pivot3_ACR_Minus_UPU. For both the Netherlands and Hong Kong, the revenues obtained as a result of the Multi-Service Agreements are larger than those that would have been obtained under the UPU system, as shown by the positive values obtained when the values in the Pivot3_UPU tab described above are subtracted from the Pivot3_ACR tab.

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Question 2

The following question refers to library reference USPS-FY-28, filenames "StFSPhilatelic2012.xls" and "STFS2012.xls." Please explain why the Philatelic Sales work hours of 4,630 are not deducted from the Stamp Fulfillment Services work hours of 56,558. Include in your response any updated workpapers as appropriate.

RESPONSE:

The 4,630 hours are the hours associated with handling Philatelic items at the Stamp Fulfillment Services facility. These hours are part of the total handling hours for that facility. They should not be deducted from the 56,558 total hours spent handling stamps and philatelic items at the Stamp Fulfillment Services facility

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Question 3

The MCS product description for Change of Address Credit Card Authentication indicates that a fee of \$1.00 is charged to customers per credit card authentication. Please explain the discrepancy between the 13.1 million volume and \$13.5 million revenue figures for Change of Address Credit Card Authentication reported at page 31 of the Annual Compliance Report.

RESPONSE:

A typo in the reporting of the September 2012 data caused the error; the corrected total revenue for FY 2012 is \$13,082,453.