

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

Annual Compliance Report, 2013

Docket No. ACR2013

CHAIRMAN'S INFORMATION REQUEST NO. 3

(Issued January 16, 2014)

To clarify the basis of the Postal Service's estimates in its FY 2013 Annual Compliance Report (ACR), filed December 27, 2013, 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 27, 2014.

Form 10-K Questions

1. Please reconcile the variance shown in the table below between the amount reported for Claims Paid on Behalf of Postal Service's Workers' Compensation Obligations on page 41 of FY 2013 Form 10-K and the amount recorded in general ledger account 51206 Workers' Compensation Chargeback for fiscal year ended September 30, 2013.

	Sep-13	FY 2013 Form 10-K	Variance
51206 WORKERS' COMPENSATION-CHARGE BACK	\$ 1,351,027,986		
Claims Paid on Behalf of Postal Service's Workers' Compensation Obligations		1,372,000,000	
Total	\$ 1,351,027,986	1,372,000,000	(20,972,014)

2. Please reconcile the variance shown in the Table below between the amount reported for adjustment to the estimated liability for deferred revenue-prepaid postage on page 21 of FY 2013 Form 10-K and the change in general ledger

account 25111.100 Postage in the Hands of Public-Forever Stamps and general ledger account 25111.200 Postage in the Hands of Public-Non-Forever Stamps in September 2013.

	Aug-13	Sep-13	Increase/(Decrease)	FY 2013 Form 10-K	Variance
25111.100 POSTAGE IN HANDS OF PUBLIC-FOREVER STAMPS	\$ (3,479,711,689)	\$ (2,179,498,816)	\$ 1,300,212,873		
25111.200 POSTAGE IN HANDS OF PUBLIC-NON-FOREVER STAMPS	\$ (96,588,982)	\$ (95,465,099)	\$ 1,123,883		
Total			\$ 1,301,336,756	1,316,000,000	(14,663,244)

Please provide a copy of the Journal Vouchers recording the adjustment as revenue for FY 2013.

3. Please reconcile the variance shown in the table below between the amount reported for Retirement Incentive in USPS-FY13-5 in Tab "Seg 3" on Lines 132, 133 and 134 of the Excel worksheet and on page 30 of FY 2013 Form 10-K.

	Real TB13	FY 2013 Form 10-K	Variance
Lump Sum - Labor Contract (Retirement Incentive) from acct. 51113.104 to Seg. 18, Comp. 1430	\$ (353,010,400)		
Lump Sum - Labor Contract (Retirement Incentive) from acct. 51113.107 to Seg. 18, Comp. 1430	\$ (150,495)		
Total	\$ (353,160,895)	(351,000,000)	(2,160,895)

International Mail

4. The following questions pertain to the quality of service link to terminal dues for inbound letter post (Inbound Single-Piece First-Class Mail International).
 - (a) For CY 2012, 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 2013, 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.
 - (c) On July 1, 2012, the Postal Service changed its First-Class Mail service standards. Please explain how and to what extent the change in service standards affected the quality of service for inbound letterpost reported in CY 2013 compared to CY 2012.
5. The following question concerns Inbound International Mail. For FY 2013, please provide the number of cubic feet separately for inbound Air LC/AO,¹ Surface LC/AO, Surface Parcel Post, Air Parcel Post, and Express Mail Service (EMS) from Canada and the rest of the world (separated by Industrialized Countries (ICs) and Developing Countries (DCs), if possible).
 6. The following question concerns Inbound EMS. Please provide the available EMS Cooperative quarterly report cards for CY 2013 provided to the Postal Service.
 7. For Inbound Letterpost at Universal Postal Union (UPU) rates from Target and Transition System Countries, costs exceeded revenues in FY 2013. Refer to USPS-FY13-NP2, Excel file “Reports (Booked).xls”, worksheet A-Pages (md), Table A-1. Please explain the causes of the increase in unit attributable cost from FY 2012 to FY 2013.
 8. Inbound Market Dominant Exprés Service Agreement 1, consisting of a Negotiated Service Agreement, is identified as a separate product on the market dominant product list. Please identify where in library reference USPS-FY13-NP2 (e.g., FY 2013 ICRA report) the financial results for this product can be

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

- found. If the financial results are not presented in the FY 2013 ICRA or elsewhere in the ACR please provide. If revenues for the Inbound Market Dominant Exprés Service Agreement 1 product do not cover costs, please demonstrate that the negotiated rates result in an improvement in the product's cost coverage compared to the cost coverage based upon UPU default rates.
9. The competitive product list identifies International Business Reply Service (IBRS) Competitive Contracts as an inbound international mail service. The FY 2013 ICRA presents financial results for IBRS Competitive Contracts under the heading "International Negotiated Service Agreements: Outbound International." Refer to USPS-FY13-NP2, Excel files "Reports (Booked).xls" and "Reports.xls," and worksheets A-Pages (md), Table A-1 in each file. Please confirm that the financial results for IBRS Competitive Contracts should be reported under the heading "International Negotiated Service Agreements: Inbound International." If not confirmed, please explain.
 10. The Postal Service states that FY 2013 financial results for Total International Competitive reflect that no mailers elected to participate in the Global Express Guaranteed (GXG) promotion. ACR at 45, n.21. Please discuss the status of the GXG promotion.
 11. In FY 2013, for the first time, costs exceeded revenue for the competitive International Priority Airmail (IPA) product. This product features rates "of general applicability." The Postal Service states that
[it] continues to consider possible causes for the declines in cost coverage from those recognized in FY 12, but it notes that identifying specific causes with small revenue-reporting products is often difficult on a year-to-year basis. ACR at 48.

- (a) Please discuss the Postal Service's preliminary conclusions as to the possible causes of the decline in the FY 2013 IPA cost coverage compared to FY 2012.
- (b) Please explain why it is difficult to identify specific causes for the decline in cost coverage for IPA, a small revenue-reporting product, on a year-to-year basis. To the extent one of the difficulties is a small sample problem, please provide the number of In-Office Cost System tallies for IPA in FY 2012 and 2013.
- (c) For each fiscal year in which the generally applicable rates for IPA were set by the Postal Service pursuant to the pricing flexibility authority granted by the PAEA, please provide
 - (i) the average annual percentage change in price and the overall average percentage change in price for each fiscal year since the PAEA became effective.
 - (ii) the average annual percentage change in costs and the overall average percentage change in costs for each fiscal year since the PAEA became effective.
 - (iii) To the extent the Postal Service implemented any methodological changes that affected the development of costs for IPA, please discuss whether the methodological changes had the effect of increasing or decreasing the IPA costs.

General

- 12. Please provide the number of P.O. Boxes that were rented at the end of FY 2013 for each POSTPlan candidate office shown in the Excel spreadsheet 'Summary_Updated'.xls filed in Docket No. N2012-2, Library Reference USPS-LR-N2012-2/11, (July 19, 2012).
- 13. Referring to the data shown in response to CHIR No.1, question 7, on the worksheet 'Suspensions', at the National Level, please provide the number of

Post Offices under suspension and the number of Stations/Branches under suspension at the beginning of the Fiscal Year which were subsequently:

- (a) closed during the fiscal Year or;
- (b) reopened during the Fiscal Year.

14. Please explain the difference(s) in the number of offices under suspension shown on USPS-FY-13-33 PostOffices!, worksheet 'Suspensions', and the corresponding figures shown in the response to CHIR No. 1, question 7, on the worksheet 'Suspensions'.

By the Chairman.

Ruth Y. Goldway