

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

Annual Compliance Report, 2014)

Docket No. ACR2014

**MOTION OF THE ASSOCIATION FOR POSTAL COMMERCE
FOR ISSUANCE OF INFORMATION REQUEST
(January 15, 2015)**

Pursuant to 39 C.F.R. § 3001.21(a), the Association for Postal Commerce (“PostCom”) respectfully requests that the Presiding Officer issue an Information Request to obtain answers to the questions stated in this motion. These questions will serve two primary purposes. First, they may help resolve unexplained discrepancies in the cost information submitted by the Postal Service in its Annual Compliance Report. Second, they will allow interested parties and the Commission to evaluate whether certain initiatives instituted by the Postal Service in the past year in the name of reducing operational costs have in fact achieved the promised savings. As the Commission exercises its duties as a regulator going forward, this information will allow the Commission to make informed decisions regarding Postal Service proposals.

Accordingly, PostCom respectfully requests that the Commission pose the following questions to the Postal Service:

1. USPS reports an attributable cost of 4.4 cents per piece for Every Door Direct Mail (“EDDM”). By contrast, the Attributable cost reported for High Density/Saturation mail, a product that receives almost identical handling to EDDM, is 6.2 cents per piece. What accounts for the difference in attributable costs between these two products?

2. Standard Mail Flats cost coverage for FY 2013 was 84.9 percent and for FY 2014 is 81.6 percent. Please explain why Standard Mail Flats costs continue to grow at a rate that is 3.5 times higher than the rate of inflation.
3. In its Annual Compliance Report for 2013, USPS stated: “[Flats Sequencing System (“FSS”)] has increased the mail processing costs of Flats as the sequencing activity has moved from delivery to mail processing. However, these increased costs are offset by lower delivery costs.” USPS FY 2013 Annual Compliance Report at 23 (Docket No. ACR2-13). Yet Delivery costs for Standard Mail Flats rose over 8 percent from FY 2013 to FY 2014 while at the same time, mail processing costs for Standard Mail Flats rose almost 9 percent. Please explain why both mail processing and delivery costs for Standard Mail Flats rose significantly from FY 2013 to FY 2014. To the extent the rise in mail processing costs was driven by FSS implementation, please explain why these increases were not offset by decreases in delivery costs.
4. As described in Docket No. N2014-1, the USPS implemented its load leveling initiative. In that docket, USPS stated “that it did not conduct a formal cost savings and network impact analysis” as the initiative was established “primarily for the purpose of organizing operational changes that will alleviate challenges resulting from a collision between current mail entry patterns and services standards that generate a disproportional Monday workload.” Advisory Opinion on Service Changes Associated with Standard Mail Load Leveling, Docket No. N2014-1, at 26 (internal quotations omitted). Despite these claims, the Commission recommended that USPS “undertake a cost-benefit analysis at the nationwide level to develop

necessary information before proceeding with a nationwide rollout of the Load Leveling Plan.”

- a. Has the USPS undertaken the recommended cost-benefit analysis?
 - b. Regardless of whether the USPS undertook this cost-benefit analysis, has it quantified the cost savings (or cost increases) associated with the implementation of the Load Leveling Plan?
 - i. If so, please indicate the cost savings or increases associated with the Load Leveling Plan.
 - ii. Please further indicate the products and shapes with which these cost savings or increases are associated with.
 - iii. Please identify where within the ACR reported costs the savings or increases associated with Load Leveling can be seen.
5. The USPS has completed Phase I of its Network Rationalization. The USPS projected annual cost reduction of \$1.2 billion upon completion of Phase I. *See* Advisory Opinion on Mail Processing Network Rationalization Service Changes, Docket No. N2012-1, at 64. USPS has indicated that the actual savings were approximately \$0.9 billion per year. *See* Key Facts on Network Rationalization, available at <http://about.usps.com/news/electronic-press-kits/our-future-network/assets/pdf/ofn-key-facts-on-network-rationalization.pdf>.
- a. Please explain why USPS did not realize the full level of savings it projected in Docket No. N2012-1.
 - b. Please identify the products and shapes in which these savings have been realized and quantify the savings associated with each class and shape.

- c. Please identify where within the ACR reported costs the savings associated with Network Rationalization can be seen.
6. The USPS has established a requirement that FSS mailings be prepared on 250 pound pallets. The stated basis for this requirement is that it is cheaper to handle 250 pound pallets than the usual 500 pound pallet. With respect to the move to 250 pound pallets:
 - a. Please identify the cost savings the Postal Service has achieved by requiring 250 pound pallets for FSS prep.
 - b. Please indicate where in the ACR these cost savings are reflected, including the products and shapes which have experienced reduced processing and/or delivery costs as a result of using 250 pound pallets instead of 500 pound pallets.

Respectfully submitted,

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