

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

NOTICE OF MARKET-DOMINANT  
PRICE ADJUSTMENT

Docket No. R2015-4

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
CHAIRMAN'S INFORMATION REQUEST NO. 12  
(February 20, 2015)

The United States Postal Service hereby provides its response to Chairman's Information Request No. 12, issued on February 18, 2015. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. Table 1 (below) shows the piece-rated piece and pound-rated piece presort discounts for three Parcels price categories: NDC Irregular Parcels, NDC Marketing Parcels, and 5-Digit Marketing Parcels. As Table 1 shows, for these three Parcels categories, the piece-rated piece discount is not equal to the pound-rated piece discount.
  - a. Please explain the rationale for awarding unequal presort discounts for the same level of presortation for these three price categories.
  - b. Please confirm that Attachment B (see Excel file "Revised\_AttachmentB\_CHIR8.xlsx") does not include the piece-rated piece discount for NDC Irregular Parcels and the pound-rated piece discounts for NDC Marketing Parcels and 5-Digit Marketing Parcels. If not confirmed, please explain.
  - c. If confirmed, please provide a revised Attachment B (see Excel file "Revised\_AttachmentB\_CHIR8.xlsx") that includes the piece-rated piece discount for NDC Irregular Parcels and the pound-rated piece discounts for NDC Marketing Parcels and 5-Digit Marketing Parcels.
  - d. The proposed presort discounts for NDC Irregular Parcels and NDC Marketing Parcels exceed avoided costs. The Postal Service has already provided statutory exceptions for the pound-rate piece discount for NDC Irregular Parcels and the piece-rated piece discount for NDC Marketing Parcels. Please confirm that the same statutory exception applies to the corresponding NDC Irregular Parcels and NDC Marketing Parcels presort discounts for which the Postal Service has not provided a statutory exception.

**Table 1 –  
Selected Proposed Parcels Presort Discounts**

	NDC Irregular Parcels	NDC Marketing Parcels	5-Digit Marketing Parcels
Piece-Rated Piece Discount	\$0.344	\$0.401	\$0.094
Pound-Rated Piece Discount	\$0.367	\$0.442	\$0.095

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**RESPONSE:**

- a. The parcel prices are increased by 10 percent across the board in each rate cell, which results in some differences between the piece-rated and pound-rated discounts.
- b. Confirmed.
- c. Please see "Revised\_AttachmentB\_CHIR12.xlsx," filed with this response.
- d. Confirmed.

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2. In response to CHIR No. 6, questions 6-15, the Postal Service provided the workshare discounts, benchmarks, and avoided costs for the new Standard Mail workshare categories proposed in this docket. Please update Attachment B (see Excel file "Revised\_AttachmentB\_CHIR8.xlsx") to include all new Standard Mail workshare categories.

**RESPONSE:**

Please see "Revised\_AttachmentB\_CHIR12.xlsx," which shows the additional workshare discounts identified in the CHIR No. 6 responses, and is filed with this response.

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3. Based on the Postal Service's response to CHIR No. 6, questions 6-15, the following 27 new Standard Mail workshare discounts exceed avoided costs:

- Standard Mail Flats
  - Commercial
    - Automation FSS Scheme (piece-rated)
    - Automation FSS Scheme (pound-rated)
    - Automation FSS Non-Scheme (piece-rated)
    - Automation FSS Non-Scheme (pound-rated)
    - Nonautomation FSS Non-Scheme (piece-rated)
    - Nonautomation FSS Non-Scheme (pound-rated)
    - Automation DSCF FSS Scheme
    - Automation DFSS FSS Scheme
    - Nonautomation DSCF FSS Scheme
    - Nonautomation DFSS FSS Scheme
    - Automation DSCF FSS Non-Scheme
    - Automation DFSS FSS Non-Scheme
    - Nonautomation DSCF FSS Non-Scheme
    - Nonautomation DFSS FSS Non-Scheme
  - Nonprofit
    - Automation FSS Non-Scheme (piece-rated)
    - Automation FSS Non-Scheme (pound-rated)
    - Nonautomation FSS Non-Scheme (piece-rated)
    - Automation DSCF FSS Scheme
    - Automation DFSS FSS Scheme
    - Nonautomation DSCF FSS Scheme
    - Nonautomation DFSS FSS Scheme
    - Automation DSCF FSS Non-Scheme
    - Automation DFSS FSS Non-Scheme
    - Nonautomation DSCF FSS Non-Scheme
    - Nonautomation DFSS FSS Non-Scheme

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- Carrier Route Flats
  - Commercial and Nonprofit
    - DSCF 5-Digit Pallets
    - DDU 5-Digit Pallets

Please provide a statutory justification for these discounts pursuant to 39 U.S.C. § 3622(e).

**RESPONSE:**

For all of the new FSS-related workshare discounts that have passthroughs above 100 percent, the statutory justification for the discount exceeding the avoided cost is 39 U.S.C. § 3622(e)2(A) – these are new workshare initiatives and the discounts are necessary to induce efficient mailer behavior. The portion of the discount above the avoided costs will be phased out over time.

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4. In response to CHIR No. 6, questions 8, 9, 12, and 15, the Postal Service identifies the new dropship discounts, benchmarks, and avoided costs for Standard Mail.
- a. Please explain why the Postal Service did not identify Origin Entry as the benchmark for each dropship level consistent with the calculation of workshare discounts and avoided costs for existing dropship categories.
  - b. Please provide an alternative version of Attachment B (see Excel file "Revised\_AttachmentB\_CHIR8.xlsx") that calculates all new dropship discounts using Origin Entry as the benchmark.
  - c. Please provide a statutory justification for any dropship discount that exceeds avoided costs in the alternative version.

**RESPONSE:**

- a. While there is some economic value to using the next less dropshipped level as the benchmark for each dropship category, Origin Entry should be used as the benchmark in this docket to be consistent with the approach used for other Standard Mail dropship discounts. Conforming changes are being filed separately today to the response to ChIR No. 6, Question 2.
- b. Origin Entry is used as the benchmark in "Revised\_AttachmentB\_CHIR12.xlsx," which is filed with this response.
- c. Any dropship discount that exceeds avoided cost is justified by 39 U.S.C. § 3622(e)2(A), as these are all new workshare initiatives, the discounts are necessary to induce efficient mailer behavior, and the discounts above avoided costs will be phased out over time.