

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

Notice of Market Dominant
Price Adjustment

Docket No. R2015-4

CHAIRMAN'S INFORMATION REQUEST NO. 16

(Issued February 27, 2015)

To clarify the issues raised by the Postal Service's Notice of Market Dominant Price Adjustment in Docket No. R2015-4,¹ the Postal Service is requested to provide a written response to the following request. Answers to the request should be provided as soon as they are developed, but no later than March 3, 2015.

Periodicals

1. Page 28 of the Notice states, "[i]n Addition to the FSS prices of Pallets, which were introduced in FY13, new prices for FSS Pieces, Bundles, and Sacks are also incorporated." In order to account for the volume of these new pricing categories, the Postal Service estimates the historical volumes that would have been mailed in the new rate categories, had they been offered.
 - a. Please confirm that in Quarters 3 and 4 of FY 2014 mailers were allowed to enter FSS zone mail but pay bundle prices other than FSS bundle prices. If not confirmed, please explain. If confirmed, has the Postal Service identified any pieces that were required to be presorted for the FSS but were entered at Carrier Route, 5-digit, or 3-digit bundle prices for FY 2014 Quarter 3 and/or Quarter 4?

¹ United States Postal Service Notice of Market-Dominant Price Adjustment, January 15, 2015 (Notice).

- b. Please confirm that the Mail Characteristics Study provided in Excel file "CAPCALC-PER-R2015-4Mod.xls," tab "FSS Piece Data" identifies 225,545,231 Periodicals mailpieces that were presorted to the FSS and entered in 7,589,363 FSS priced bundles in FY 2014 Quarter 3. If not confirmed, please explain.
 - c. Please confirm that using the Mail Characteristics Study provided in Excel file "CHIR6Q19.xls," tab "FSS Piece Data" identifies 227,835,903 Periodicals mailpieces that were presorted to the FSS and entered in 7,995,924 FSS priced bundles in FY 2014 Quarter 4. If not confirmed, please explain.
2. In Response to CHIR No. 6, question 18, the Postal Service confirmed that some Carrier Route bundles will be required to pay FSS bundle prices after implementation of the planned prices.²
 - a. As detailed in the spreadsheet attached to CHIR No. 11, Excel file "CAPCALC-PER-21054-CHIR6Q17-PRC revised.xls," tab "bundle analysis," the volume of bundles associated with the piece volume that would have been mailed at FSS prices is calculated by dividing the number of FSS pieces by the average pieces per bundle for each presort level. As an example, 622 million Carrier Route pieces would have been mailed at FSS pieces prices in FY 2014 if those prices were required. Carrier Route bundles contained, on average, 14.7 pieces per bundle. The tab "bundle analysis" contains the calculation that 622 million Carrier Route pieces were mailed in 42 million bundles. Both the 622 million pieces and 42 million bundles were mailed at non-FSS prices in FY 2014

² Response of the United States Postal Service to Questions 1, 4-16, and 18-19 of Chairman's Information Request No. 6, February 11, 2015, question 18 (Response to CHIR No. 6).

but would have been required to be mailed at FSS prices if they had been in effect. In FY 2014 Quarters 3 and 4, FSS presorted bundles averaged 29.1 pieces per bundle compared to 14.7 pieces per bundle for Carrier Route presorted bundles. Please discuss which number of pieces per bundle is appropriate to use for estimating the FY 2014 Quarters 1 and 2 bundle volumes that would have been required to presort to the FSS.

- b. The FY 2014 Quarters 3 and 4 billing determinants identify 15,586,982 FSS priced bundles, and the Mail Characteristics Study data detail that 451,113,301 FSS presorted pieces were entered in those 15,586,982 FSS bundles. Please confirm that the FY 2014 Quarter 3 and 4 bundle volumes do not need to be adjusted to account for FSS pieces, as the bundles with FSS pieces were entered at FSS prices. If not confirmed, please explain.
 - c. Please confirm that FY 2014 Quarters 1 and 2 bundle data need to be adjusted to account for the estimated 401,739,769 FSS pieces for FY 2014 Quarters 1 and 2. If not confirmed, please explain.
3. In Response to CHIR No. 14, question 1, the Postal Service confirmed that FSS pricing requirements necessitate adjustments to the billing determinants for sacks and pallets destined for FSS zones.³

³ Response of the United States Postal Service to Question 1 of Chairman's Information Request No. 14, February 25, 2015, question 1 (Response to CHIR No. 14).

- a. Please identify the quantity of sacks that would have been mailed at FSS Facility sack prices in FY 2014 Quarters 1 and 2 if FSS prices and mailing requirements had been in place.
- b. Please identify the prices that mailers paid for the sacks identified in part a. (for example, the 5-digit DDU entry sack price) and the volumes mailed at each price.
- c. Please identify the quantity of sacks that would have been mailed at FSS Scheme sack prices in FY 2014 Quarters 1 and 2 if FSS prices and mailing requirements had been in place.
- d. Please identify the prices that mailers paid for the sacks identified in part c. (for example, the 5-digit DDU entry sack price) and the volumes mailed at each price.
- e. Please identify the quantity of pallets that would have been mailed at FSS Facility pallet prices in FY 2014 Quarters 1 and 2 if FSS prices and mailing requirements had been in place.
- f. Please identify the prices that mailers paid for the pallets identified in part e. (for example, the 5-digit DSCF entry pallet price) and the volumes mailed at each price.
- g. Please identify the quantity of pallets that would have been mailed at FSS Scheme pallet prices in FY 2014 Quarters 1 and 2 if FSS prices and mailing requirements had been in place.
- h. Please identify the prices that mailers paid for the pallets identified in part g. (for example, the 5-digit DSCF entry pallet price) and the volumes mailed at each price.

4. The Postal Service plans to add a DFSS price for FSS Facility and Scheme sacks. The Postal Service assumes that 20 percent of DSCF sacks would have qualified for DFSS prices in FY 2014, if such prices had been offered. In Response to CHIR No. 10, the Postal Service stated “[t]he Postal Service has no data showing how these sacks would be entered, but believes there would be strong bias towards DSCF entry. Thus, 80 percent DSCF and 20 percent DFSS are applied to the sack volumes.”⁴ Pursuant to 39 C.F.R. § 3010.23(d)(2), please provide an explanation for the 80 percent DSCF and 20 percent DFSS assumption applied to sack volumes.

5. In its Response to CHIR No. 6, question 19, the Postal Service provided Excel file “CHIR6Q19.xls.” The tab “FSS Piece data” contains Periodicals Mail Characteristics Study data through FY 2014 Quarter 4. In Response to CHIR No. 1, the Postal Service provided Excel file “CAPCALC-PER-R2015-4Mod.xls,” in which the tab “FSS Piece Data” contains Periodicals Mail Characteristics Study data through the period FY 2014 Quarter 3.⁵
 - a. For FY 2014 Quarter 3, Excel file “CAPCALC-PER-R2015-4Mod.xls” identifies FSS piece volume of 225,545,231 and Excel file “CHIR6Q19.xls” identifies FSS piece volume of 225,568,089. Please reconcile this discrepancy.

⁴ Response of the United States Postal Service to Chairman’s Information Request No. 10, February 18, 2015, question 2 (Response to CHIR No. 10).

⁵ Response of the United States Postal Service to Questions 1-5 of Chairman’s Information Request No. 1, January 30, 2015, question 3 (Response to CHIR No. 1).

- b. For FY 2014 Quarter 3, Excel file “CAPCALC-PER-R2015-4Mod.xls” and Excel file “CHIR6Q19.xls” both identify FSS bundle quantities of 7,589,363. In Docket No. ACR2014, Excel file “RespCHIR2Qu1.XLS,” tab “Total FY 2014” identifies FY 2014 Quarter 3 FSS bundle quantity of 7,590,326. Please reconcile this discrepancy.

By the Acting Chairman.

Robert G. Taub