

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

ANNUAL COMPLIANCE REVIEW, 2014

Docket No. ACR2014

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1, 4-5, AND 8 OF CHAIRMAN'S INFORMATION REQUEST NO. 14

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 14, issued on March 13, 2015. Each question is stated verbatim and followed by the response. The response to Question 6 is still being prepared. Responses to Questions 2, 3, and 7 were filed on March 20, 2015.

Respectfully submitted,

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1. Please refer to the performance measures on page 39 of the Annual Report. Will any of these performance measures—including FY 2015 targets, data sources, surveys, or calculation methodologies on which they are based—change during FY 2015? If yes, please describe planned change(s) for FY 2015 and specify:
  - a. The performance measure affected;
  - b. Whether the changes will directly impact the comparability between the FY 2015 and FY 2014 performance measure; and
  - c. The reasons for the FY 2015 changes to the performance measures, targets, data sources, surveys, or calculation methodologies and how this is an improvement over the current performance measurement methodology.

**RESPONSE:**

- a-c. During FY2015, the performance measures for Presort First-Class Mail and for Standard Composite<sup>[1]</sup> will change. Before FY2015, quarter 1, the Postal Service reported service performance scores of Single-Piece First-Class Mail flats as a proxy for Presort First-Class Mail flats. As stated in the Quarterly Performance Report for Quarter 1, FY2015, in an effort to provide more accurate data, the Postal Service began employing iMAPS, which is the hybrid measurement system used to measure the service performance of Presort First-Class Mail letters, to flats. This change may affect the comparability between FY2014 and FY2015 results due to differences between the Single-Piece First-Class Mail flats proxy data

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<sup>[1]</sup> On page 39 of the Annual Report to Congress, footnote 2 reads, “*For FY2014 there is a service performance target that is a combination of Standard Mail destination entry for Sectional Center Facility (SCF) letters and National Distribution Center (NDC) letters and flats.*” The footnote should read “For

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used in FY2014 and the Presort First-Class Mail flats data used in FY2015. The Postal Service began measuring Presort First-Class Mail flats because there are now sufficient data available and using these data, rather than relying on a proxy, will provide measurements that are more representative and accurate.

The Postal Service designed an internal measurement system to measure service performance for Every Door Direct Mail – Retail (EDDM – Retail). A detailed description of the service performance measurement system for EDDM – Retail may be found on page 42 of the proposed Service Performance Measurement Plan filed in Docket No. PI2015-1, available here: <http://www.prc.gov/dockets/document/91822>. For FY2015 service performance measurement results, EDDM – Retail data will be included in “Standard Composite” line as seen on page 39 of the FY2014 Annual Report to Congress. FY2015 will be the first time service performance results will be available for EDDM – Retail on a trial basis and its inclusion in the “Standard Composite” line may impact the comparability of service performance results for FY2014 and FY2015. The Postal Service plans to implement permanently its use of this measurement assuming favorable

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FY2014 the service performance target is a composite of destination entry and origin entry service for Standard Mail letters and flats.”

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Commission review of this internal system in the Service Performance  
Measurement Plan filed in Docket No. PI2015-1.

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4. The Postal Service notes that new contracts were issued to deploy over 3,800 Automated Postal Center (APC) kiosks to meet new payment card information requirements. Annual Report at 71.
- a. Did the Postal Service replace all APC kiosks active at the end of FY 2013 with new APC kiosks that meet secure payment card information requirements? If not, please identify when the Postal Service expects that all active APC kiosks will meet secure payment card information requirements.
  - b. The Postal Service reports that at the end of FY 2014, there were 2,843 Automated Postal Center kiosks and "there are no plans for further additions this year."<sup>4</sup> Do the number of kiosks on page 71 of the Annual Report (over 3,800) and Responses to CHIR No. 1, question 17 (2,843) differ because the Postal Service plans on increasing APC kiosks by this difference (957) in FY 2015? If not, please discuss why these two figures differ.

**RESPONSE:**

- a. The Postal Service did not replace its self-service kiosks at the end of FY 2013 with new kiosks. The Postal Service met secure payment card information requirements by installing new card readers, PIN pads, and software on existing kiosks (card reader and PIN pad replacement system integration), not through kiosk replacement.
- b. On page 71 of the Annual Report to Congress, the Postal Service reported that Supply Management "supported Retail Operations by issuing new contracts to deploy . . . over 3,800 kiosks to meet new PCI requirements."

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<sup>4</sup> Responses of the United States Postal Service to Questions 1-2, 3a-b, 3d, 4, 6, 7a-e, 8-9, and 11-21 of Chairman's Information Request No. 1, January 16, 2015, question 17 (Responses to CHIR No. 1).

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This statement should be clarified to indicate the following. First, there was a contract for the purchase of the hardware, software, and integration support necessary to update the over 2,800 existing kiosks to meet secure payment card information requirements. Second, Supply Management was asked to explore the possibility of purchasing of additional kiosks. This effort extended to securing a proposal and an initial pricing proposal. However, funding was not approved to purchase additional kiosks and a contract to buy additional kiosks was not completed. Accordingly, as stated in the Postal Service response, the Postal Service has no firm plans to increase the number of SSKs in FY2015.

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5. Please refer to the table provided in Responses to CHIR No. 1, question 18.
- a. Please explain why FY 2014 revenue for APC kiosks decreased by more than 15 percent between FY 2013 and FY 2014.
  - b. Please define the types of retail channels contained in the "Other" category under the "Channel" column.
  - c. Please explain how the "Other" retail channels differ in terms of retail services offered compared to the other retail channels listed in the table.

**RESPONSE:**

- a. The revenue for Automated Postal Centers (APCs) did not decrease by more than 15 percent between FY2013 and FY2014. The table provided in response to Chairman Information Request No. 1, Question 18 inadvertently excluded revenue generated by the sale of postage at APCs. The revenue generated by the sale of Stamp Booklets at APCs was inadvertently included under the "Other" category. The table has been revised to include the revenue generated by the sale of Stamp Booklets at APCs to the total APC revenue. As the revised table below indicates, the revenue for APCs increased by over six percent between FY2013 and FY2014.

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<b>Channel</b>	<b>FY2014 Revenue</b>	<b>Share of Total Retail Revenue</b>	<b>Change from FY2013</b>
Post Offices	\$11,005,893,283	57.77%	-0.47%
PC Postage	\$5,021,077,288	26.35%	16.16%
Stamps Only Sales by Retail Partners	\$1,229,879,621	6.46%	5.40%
Automated Postal Centers (kiosks)	\$477,019,370	2.50%	6.13%
Stamps by Mail/Phone/Fax	\$95,453,913	0.50%	-2.63%
Contract Postal Units	\$147,644,446	0.77%	0.70%
Click-N-Ship	\$533,272,489	2.80%	1.61%
Other	\$541,965,939	2.84%	6.10%
<b>Total Retail Revenue</b>	<b>\$19,052,206,349</b>	<b>100.00%</b>	<b>4.24%</b>

b - c. Retail channels contained in the "Other" category under "Channel" column include Online Extra Services, Philatelic Mail Order, and Stamped Envelope Mail retail channels. These "Other" retail channels are considered part of Alternate Access Revenue as are all listed categories in the above revenue table, with the exception of the Post Offices channel.

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- 8.** Please file the FY 2014 results and the FY 2015 targets for competitive products, including Express Mail, Priority Mail, and Parcel Select.

**RESPONSE:**

The requested information is provided under seal in the Preface of USPS-FY14-NP41.