

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

Service Performance Measurement  
Systems for Market Dominant Products

Docket No. PI2015-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-16 OF CHAIRMAN'S INFORMATION REQUEST NO. 1

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 1, issued on March 23, 2015.

Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE  
By its attorneys:

Anthony Alverno  
Chief Counsel, Global Business & Service  
Development

Michael T. Tidwell  
Laura Zuber

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1135  
(202) 268-2998; Fax -5402  
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1. What is the Postal Service's current annual cost to comply with the service performance measurement and reporting requirements specified in 39 U.S.C. § 3652(a)(2)(B)(i) and 39 C.F.R. § 3055 subparts A and B? When providing an answer to this question, please:
  - a. Disaggregate the total cost by class of mail (First-Class Mail, Standard Mail, Periodicals, Package Services, and Special Services) or product if available;
  - b. Disaggregate costs by class of mail, or product if available, between amounts paid to outside vendors and those internally incurred; and
  - c. Provide a description of the tasks included within each cost segment.

**RESPONSE**

(a-c) The Postal Service's costs to comply with service performance measurement and reporting requirements in FY2014 were \$41 million. This includes the costs associated with maintaining the service performance system used for measurement of presort mail, as well as third-party support to measure Last Mile impact for presort mail, third-party support to measure single-piece First-Class Mail, third-party support for international mail measurement, third-party support for measurement of special services, third-party support for official reporting, and postage. In addition to the \$41 million in FY2014, the Postal Service also incurred \$0.17 million in FY2013 for the biennial special study of off-shore locations.

Of this \$41 million, there was an annual cost in FY2014 of \$28.07 million for third-party measurement of single-piece First-Class Mail (EXFC), \$1.17 million for third-party measurement of international mail, and \$0.57 million for third-party measurement of special services.

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The above-referenced disaggregated costs are associated with work performed by outside vendors. The remaining internal costs are associated with personnel and infrastructure involved in the maintenance and management of measurements systems and data. Postal Service personnel responsible for service performance measurement and reporting oversight have numerous assignments. Some of these are outside of the service performance management responsibilities. The time spent on each responsibility is currently not captured, and therefore we cannot attribute these costs to service measurement or disaggregate the costs by class of mail or product. In addition, the remaining internal costs do not include activities associated with scanning of mail pieces during collection/acceptance, mail processing, or delivery.

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2. What is the Postal Service's current annual cost to operate the External First Class (EXFC) measurement system? When providing an answer to this question, please:
- a. Disaggregate the total cost by class of mail (First-Class Mail, Standard Mail, Periodicals, Package Services, and Special Services) or product if available;
  - b. Disaggregate costs by class of mail between amounts paid to outside vendors and those incurred internally for management of the EXFC system; and
  - c. Disaggregate costs by those required for service performance and reporting to the Commission and by those required by the Postal Service for its own internal purposes.

**RESPONSE**

In FY2014, the Postal Service's costs to operate the EXFC system in were \$28.07 million.

- a. EXFC only measures single-piece First-Class Mail.
- b. EXFC only measures single-piece First-Class Mail. In FY2014, \$25.49 million was paid to an outside vendor for EXFC, and \$2.58 million was incurred for postage related to EXFC. Other internal costs cannot be directly attributed to the postal management of the EXFC system, as Postal Service personnel responsible for EXFC system oversight have numerous responsibilities. The time spent on each responsibility is currently not captured, and therefore we cannot attribute these costs to service measurement.
- c. The Postal Service maintains the views expressed at pages 14-15 of the Attachment to its Docket No. PI2014-1 Reply Comments (October 1, 2014). Since the December 2006 enactment of the Postal Accountability and Enhancement Act (PAEA), the Postal Service has expanded the

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EXFC system to meet service measurement and reporting requirements established by the Commission. As evidenced by the proposal in the current docket, postal management's service performance reporting requirements to the Commission have influenced the pursuit of systems to collect data that can meet operational needs and also satisfy service reporting requirements. With the passage of time, enhanced accountability to the Commission has increased the quality and quantity of data available to postal management for making operational and service decisions. The current EXFC system is operated to meet the Postal Service's current operational needs and service reporting requirements, irrespective of how the Postal Service may have viewed its operational data needs in 2006 or what its approach to EXFC reporting may have been at that time. Accordingly, it is difficult to determine how much of the current expense of EXFC is attributed exclusively to management needs or service measurement and reporting requirements established by the Commission.

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3. What is the Postal Service's estimated nonrecurring cost to implement the proposals in the Postal Service Plan? When providing an answer to this question, please provide specifics in regard to:
- a. Internal Postal Service costs;
  - b. External vendor costs (for example, the costs for the outside vendor to develop statistical plans and procedures to implement the measurement and reporting proposals); and
  - c. Equipment costs (for example, scanners, data processing equipment, etc.).

**RESPONSE**

The estimated nonrecurring cost to implement the proposal in the Service Performance Measurement (SPM) Plan is \$10.75 million.

- a. There is an estimated nonrecurring cost of \$2.10 million for internal Postal Service costs related to field training and project management of the SPM sampling interface. Other internal costs cannot be directly attributed to the implementation of the proposal in the SPM Plan, as the Postal Service personnel responsible for implementing the proposal have numerous responsibilities, and time spent on each assigned responsibility is not captured.
- b. There is an estimated nonrecurring cost of \$8.65 million for external vendor costs related to the design and development of the SPM application, sampling methodology, and sampling interface.
- c. There are no additional equipment costs that are unique to the SPM Plan. The scanners, data processing equipment, etc. are either already available or are being procured to support multiple Informed Visibility initiatives.

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4. What is the Postal Service's estimated recurring annual cost to provide service performance measurement and reporting pursuant to the proposals in the Postal Service Plan? When providing an answer to this question, please:
- a. Disaggregate the total cost by class of mail (First-Class Mail, Standard Mail, Periodicals, Package Services, and Special Services) or product if available;
  - b. Disaggregate costs by class of mail, or product if available, between amounts paid to outside vendors and those internally incurred; and
  - c. Disaggregate costs by those required for service performance and reporting to the Commission and by those required by the Postal Service for its own internal purposes.

**RESPONSE**

Estimated recurring annual costs to maintain the service performance measurement and reporting system pursuant to the proposals in the Service Performance Measurement (SPM) Plan are \$12.25 million for external vendor support of the system. This total does not include employee scanning or internal postal program management costs as estimates have not been developed for these costs.

- a. Of that total, there is an estimated recurring annual cost of \$1.17 million for third-party measurement of international mail, and \$0.57 million for third-party measurement of special services. The rest is an estimate of the costs of administering the SPM, an integrated system which will measure a variety of mail classes and products.
- b. See the response to part (a) above which identifies external costs. The Postal Service has no basis for reporting product or class-specific estimates of the remaining internal costs.

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- c. See the response to Chairman Information Request No. 1, Question 2(c). Since the December 2006 enactment of the Postal Accountability and Enhancement Act (PAEA), the Postal Service has expanded market-dominant product service measurement well beyond the EXFC system to meet measurement and reporting requirements established by the Commission. The Commission's current measurement and reporting requirements for a range of market-dominant products greatly exceed the limited scope of measurement and reporting that pre-dated the PAEA. Service measurement and reporting to the Commission have required postal management to pursue special studies or the establishment of systems to collect data that meet enhanced reporting requirements. It seems fair to state that current service measurement special studies and systems that meet current service reporting obligations also provide "internal" benefit to the management of postal operations and services. Accordingly, it is difficult to determine how much of the current expense of market-dominant product service measurement to attribute exclusively to management needs or Commission obligations.

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5. Please confirm that the Postal Service intends to implement the proposals in the Postal Service Plan for internal use regardless of whether or not the Commission approves use of these systems for service performance measurement and reporting for the purposes of 39 U.S.C. § 3652(a)(2)(B)(i) and 39 C.F.R. § 3055 subparts A and B. Please provide further explanation as necessary, including a description of any differences between the Postal Service Plan and a measurement system intended for internal use only.

**RESPONSE**

The objective of the Informed Visibility initiative is to serve the dual purposes of (1) providing postal management with more granular data that allow for improved decision-making, operational oversight and diagnostics capabilities; and (2) fulfillment of the service performance measurement and reporting obligations specified by law or otherwise required by the Commission. As one would expect of a delivery service provider, postal management constantly strives to improve its ability to conduct mail collection, acceptance, processing, transportation and delivery operations in a manner that is better aligned with operating plans and applicable service standards. As a result, postal management's pursuit of improvements in its ability to manage operations is increasingly intertwined with its obligation to satisfy measurement and reporting requirements that have increased significantly since 2006. If there is a barrier to using data generated via Informed Visibility for service measurement and reporting, it should not be assumed that the Postal Service will operate dual *service measurement* systems, one for *internal* postal management purposes and another for *external* Commission reporting purposes. Instead, the Postal Service would likely pursue some form of Informed Visibility data gathering to

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achieve the goals of better managing and diagnosing operations and improving service, while also fulfilling its measurement and reporting obligations in whole or in part on the basis of other data generating systems.

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6. Please answer this question assuming that the Postal Service will use the proposed service performance measurement systems for internal use only, and will not be required to comply with the service performance measurement and reporting requirements specified in 39 U.S.C. § 3652(a)(2)(B)(i) and 39 C.F.R. § 3055 subparts A and B.  
What is the Postal Service's estimated recurring annual cost to provide service performance measurement and reporting pursuant to the proposals in the Postal Service Plan for internal purposes only? Please provide similar segregations, as specified in questions 1 through 5 above, as appropriate.

**RESPONSE**

See the response to Chairman Information Request No. 1, Question 5.

From the outset, data collection under Informed Visibility has been designed to meet the dual objectives of providing management with valuable operational diagnostic information and satisfying future measurement and reporting obligations. The Postal Service views these as increasingly intertwined, but distinct objectives. The Postal Service does not intend to permanently operate dual/parallel measurement systems (one for *internal* management purposes and another for *external* Commission purposes) as the question seems to imply. Whether the Commission categorically rejects use of the proposed new internal data collections methods for purposes of service measurement and reporting or merely suggests reasonable modifications to implement as a condition of such use remains to be seen. Any Commission determination that deviates from unconditional approval will likely affect resource allocations moving forward, perhaps significantly. Accordingly, it is difficult to hypothetically project how the Postal Service might allocate diagnostic and/or measurement resources in

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pursuit of its long-term objectives without knowing the substance of and rationale for the Commission's determination in this docket.

Upon receipt of that determination, the Postal Service will evaluate whether any (short-term or long-term) inability to rely on the proposed internal methods to satisfy its ongoing service measurement and reporting obligations influences the pace at which or manner in which the Informed Visibility initiative proceeds, or imposes reliance on existing or alternative methods for measurement and reporting.

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7. What is the annual cost (in both hours and dollars) for carriers to perform the "First Mile" function associated with the proposals in the Postal Service Plan?

**RESPONSE**

Postal Service cost measurement systems do not generate data with granularity sufficient to form a basis for estimating the cost of the specific scanning or other activities in which personnel retrieving mail from collection boxes or scanning of pieces after acceptance at retail will engage for purposes of First Mile service measurement that are distinct from current activities. No special cost study of these additional activities has been conducted.

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8. What is the annual cost (in both hours and dollars) for carriers to perform the "Last Mile" function associated with the proposals in the Postal Service Plan?

**RESPONSE**

Postal Service cost measurement systems do not generate data with granularity sufficient to form a basis for estimating the cost of the specific scanning or other activities in which delivery personnel will engage for purposes of Last Mile service measurement that are distinct from current activities. No special cost study of these additional activities has been conducted.

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9. Please provide the Postal Service's most recent schedule to implement the proposals in the Postal Service Plan. When providing an answer to this question, please:
- a. Provide separate implementation schedules for individual products, if the proposed measurement systems are implemented at different times for different products;
  - b. Provide the date that a complete fiscal quarter of service performance may be reported (by product if necessary) pursuant to 39 C.F.R. § 3055 subpart B utilizing the measurement systems proposed in the Postal Service Plan; and
  - c. Provide the date that a complete fiscal year of service performance may be reported (by product if necessary) pursuant to 39 C.F.R. § 3055 subpart A utilizing the measurement systems proposed in the Postal Service Plan.

**RESPONSE**

- (a-c) The Postal Service intends to complete implementation of the measurement portion of its Informed Visibility initiative during the final quarter of FY2015, so that it is generating measurement data at the beginning of FY2016 for reporting at the conclusion of each quarter of that fiscal year.

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10. Please provide all completed documentation in regard to the statistical systems and procedures necessary to implement the proposals in the Postal Service Plan (for example, the documentation developed by third parties for the Postal Service). For documentation that has not been completed, please identify the documentation and provide an estimate of when this documentation may be provided to the Commission.

**RESPONSE**

The Statistical Design Document is currently under development. The design document will contain the methodologies and functional requirements for First Mile and Last Mile sampling. The document will also include the methodology and formulas for calculating overall service performance scores, combining First Mile, processing duration, and Last Mile data. Finally, the document will outline the targeted levels of statistical precision which drives the number of samples to be taken. The Postal Service estimates that the design document will be provided to the Commission in June.

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11. The Glossary of Terms in the Postal Service Plan, at 7 includes the following definition:

The ***critical entry time*** (CET) is the latest time that a reasonable amount of a class of mail can be received at designated induction points in the postal network for it to be processed and dispatched in time to meet service standards.

This definition differs from the definition provided by the Postal Service in Docket No. PI2008-1, United States Postal Service, Service Performance Measurement, November 2007, filed December 4, 2007, at 3.

The ***critical entry time*** (CET) is the latest time mail can be received at designated induction points in the postal network in order for it to be processed and dispatched in time to meet service standards.

This definition also differs from the definition provided in Publication 32, Glossary of Postal Terms, July 2013.

critical entry time; CET; (1) For mailers, the latest time that a reasonable amount of a mail class or product can be received at the platform at designated induction points in the postal network for it to be processed and dispatched in time to meet service standards (i.e., the latest time when mail can be presented to postal operations of Day Zero processing). (2) For USPS, the latest time that committed mail can be received in an operation and still be processed before clearance time to meet the service standard for mail processing, dispatch, and final delivery.

- a. Please explain the intended effect of changing the definition of critical entry time from the version appearing in Docket No. PI2008-1, United States Postal Service, Service Performance Measurement, November 2007, filed December 4, 2007, at 3 to the version appearing in the Postal Service Plan.
- b. Please explain why different definitions of critical entry time appear in the Postal Service Plan, and Publication 32, Glossary of Postal Terms, July 2013. Please include explanations of the intent of the differences, and any reasons that the definitions are not the same.
- c. Please explain the meaning of "a reasonable amount of a class of mail" appearing in the Postal Service Plan. Please include an explanation of the impact of an "unreasonable" amount of mail would have on critical entry time.

**RESPONSE**

- (a-c) At the outset, it should be emphasized that the official definition of the term is recorded in USPS Publication 32, Glossary of Postal Terms, which

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is amended from time to time. As the question indicates, the current version of Publication 32 was published in July 2013 and reflects the definition quoted at the conclusion of the preamble to the questions above.

A review of the record in Docket No. N2006-1 reveals a previous definition:

**critical entry time** — The latest time a particular class of transported mail can arrive at the destination post office to meet the service standard for mail processing, dispatch, and final delivery.

Docket No. N2006-1, USPS Library Reference N2006-1/1, USPS Publication 32, at 29 (November 2003). This definition reveals that the Publication 32 in effect at the time had not kept up with common usage of the term Critical Entry Time well beyond the narrow context of the arrival of mail at destination post offices. By 2005, when Docket No. N2006-1 was initiated, the term "Critical Entry Time" was routinely used by the Postal Service and mailers in reference to entry of mail at various other induction points in the mail stream.

In the absence of a Publication 32 revision before the 2007 development of the original Service Measurement Plan, it was deemed necessary to offer a definition of the term "Critical Entry Time" for purposes of service measurement that reflected contemporary usage. Accordingly, the original Service Measurement Plan indicated that CETs applied to "designated induction points," not just destination post offices.

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The phenomenon of a bulk mailing arriving at a business mail entry unit minutes before the Critical Entry Time is not uncommon. Neither is the phenomenon of multiple massive bulk mailings arriving virtually simultaneously at the same business mail entry unit minutes before the Critical Entry Time. Nor is the phenomenon of a single bulk mailing so voluminous that portions of it arrive in separate trucks at a single entry unit before the CET and other portions arrive there as part of a continuous stream in separate trucks after the CET. Mail processing plant daily operating plans are based upon system capacity, anticipated daily volume, and available staffing across available operating windows. Ideally, an even pattern of bulk mail arrival can be maintained for a continuous flow of mail through the system. A "reasonable amount of a class of mail" is that volume that can be processed timely through the receiving facility or operation in accordance with its daily operating plan. An unreasonable amount of mail received just prior to CET would be that volume which exceeded the capacity of available resources to clear the volume based upon the time of receipt and the designated clearance time needed to meet service expectations.

When an extraordinarily large mailing arriving right at or straddling the CET is credited with being accepted before the CET, it can create overwhelming challenges for even the most expeditious mail processing plant to verify and dispatch the entire mailing for processing within the

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operating window for initial processing in time to meet applicable service standards. Accordingly, it was determined that the definition of the term CET should be further refined in 2013. As currently published, the definition seeks to accomplish two objectives: (1) to apply a rule of reason to extraordinarily large mailings that arrive right before (or straddle) the CET; and (2) to preserve the current general understanding of the term.

It is not uncommon for an organization unit within the Postal Service (such as Enterprise Analytics) to generate a publication designed to serve its service measurement needs that references a technical term developed by another organizational unit (such as Network Operations) and to summarize or paraphrase the meaning of that term, without intending to alter its meaning. Such is the case here.

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12. Please describe the operational functions that the Mobile Delivery Device (MDD) is intended to accomplish, and the device's technical features (for example, battery life between recharges, password and data security, intended lifespan of the device, Global Positioning System capabilities, etc.).

**RESPONSE**

The Mobile Delivery Device (MDD) performs all on-street carrier functions that the predecessor carrier scanning device, IMDAS, performs. The new device also has enhanced features, including improved package delivery and acceptance, data transmission, sign-on-glass, device messaging, and alerts for packages and mail.

MDD will support internal service performance measurement (SPM) through First Mile and Last Mile sampling. MDD will receive SPM sampling requests from Informed Visibility. For First Mile sampling at collection points, the sampling request will be displayed once an employee scans a barcode within the collection box. This barcode is maintained in the Collection Point Management System and represents that specific box within the system. For Last Mile sampling, the sampling request will be displayed once an employee is in close proximity to the delivery address selected for sampling, based upon latitude and longitude. The sampling request will display the address to be sampled on the MDD. The employee will then scan mailpieces with the scan data being transmitted to Informed Visibility to support internal SPM.

MDD has an extended life battery that supports 10-12 hours of on-street usage. We expect a lifespan of 10-12 years for the MDD due to the rugged construction and environmental standards of the design.

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MDD offers security features such as requiring USPS employee badge scanning for login and encrypted communications to backend systems. The MDD has Bluetooth, Wi-Fi, cellular, Ethernet and IrDA communications capabilities for interfacing with a variety of external devices and internal systems while being used by employees. Currently, MDD collects and transmits Global Positioning System (GPS) data points on the device location once per minute for normal usage but is also capable of collecting GPS data points at a one hertz frequency for special purposes.

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13. What procedures will be taken to maintain the integrity of data if a carrier is not able to scan a collection box or mailpiece when prompted?

**RESPONSE**

The SPM system will include management reporting for monitoring the sampling success rate. This includes tracking each sample request that was presented to the employee and the results of that request. These reports will be used to provide feedback to employees on the importance of completing requested samples. Also, the reports will be used to identify potential training needed to improve performance/compliance for employees.

In addition to monitoring employee compliance, the monitoring of technical capability will be performed using the method described below. SPM will leverage GPS intelligence in scan records to determine if the device was capable of providing latitude and longitude for the requested sample collection/delivery point. This will be used to help determine scan validity. In conjunction with this, the sampling design includes two elements intended to ensure sufficient samples are collected to achieve the desired level of precision to comply with reporting requirements. The first is to adjust the sample size to account for data usability or the success rate in capturing the requested number of valid samples. The initial number of delivery points needed for sampling to achieve the desired level of precision will be adjusted by multiplying it by a usability factor. The usability factor will be the inverse of data usability rate, calculated as a ratio of usable samples received divided by the number of samples presented. If, for example the data usability is .80, then the usability factor applied to the sample size will be

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1/.80 or 1.25. This usability factor will be recalculated on a weekly basis. The second element will be to evaluate each week's sample results to ensure that they have provided the desired number of usable samples. Should a week's samples fall short, the number of samples requested in future weeks will increase proportionally to achieve the desired number of samples for the quarter.

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14. Page 24 of the Postal Service Plan states, "...the First Mile Impact will be calculated based on the pickup time and the average volume of each collection point to determine the percent of mail picked up on time."
- a. Please describe the process used to collect and develop "the average volume of each collection point."
  - b. How frequently is a collection box's average volume updated?

**RESPONSE**

- a. The average volume of a collection point is measured using a density volume test. The density test process is conducted as follows:
  - 1. Use an actual count for letters or record a linear measurement of letters contained in the box.
  - 2. Convert the linear measurement to pieces at 227 pieces per foot (or current conversion figure).
  - 3. Add actual piece counts for flats and small parcels.Density tests are conducted for a continuous 2-week period. Where multiple boxes are collected, mail volume from all boxes are totaled.
- b. The average volume for collection boxes is measured at least once annually. In addition to this annual density analysis, the volume may be measured on a more frequent or as needed basis.

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15. The Postal Service currently reports the "Last Mile" factor for applicable products in its periodic reports to the Commission. Does the Postal Service intend to similarly report the "First Mile" factor for applicable products?

**RESPONSE**

The Postal Service intends to fulfill all periodic reporting requirements reflected in the Commission's regulations or any orders that are consistent with the Commission's service measurement review authority. Postal management will consider how to respond to requests for additional information from the Commission on a case-by-case basis.

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16. Please explain how mail entered at a retail counter is included in the "First Mile" factor.

**RESPONSE**

Mailpieces with Certified, Registered, Signature Confirmation, and other extra service barcodes entered at a retail counter are scanned by retail employees upon acceptance via the Point of Sale (POS) terminal. In addition, retail employees will be randomly prompted to scan mailpieces that have been accepted at retail locations. These mailpieces will be incorporated into the First Mile factor.