

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
CHAIRMAN'S INFORMATION REQUEST NO. 18

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 18, issued on July 15, 2015. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. Please confirm that the Postal Service's Item No. 2 analysis used the same attributable costs presented in its analysis in Library Reference USPS-FY14-NP35 to reach the conclusion in Item No. 2 that "the cost coverage of [the Royal PostNL NSA at] the negotiated rates actually exceeded the cost coverage of the UPU rates in FY 2014." Response at 5. If not confirmed, please explain.

RESPONSE:

Not confirmed. USPS-FY14-NP35 contains attributable costs as reflected in the initially-filed ICRA data. The analysis provided in response to Item No. 2 contains attributable costs as reflected in the revised ICRA data filed on February 5, 2015.

When reviewing the data to prepare a response to this information request, the Postal Service identified errors in the rates used in USPS-FY14-NP35. An erratum will be filed separately to correct these errors.

Additionally, the revenue calculation for the Netherlands at the UPU default rate in USPS-FY14-NP35 uses the 2014 UPU default rates for the entire fiscal year, while the revenue calculation in the analysis provided in response to Item No. 2 uses the 2013 rates for Quarter 1 of FY14 and the 2014 rates for Quarters 2-4 of 2014. As such, the calculations in NP35 are a conservative estimate of the difference between the cost coverage of the UPU rates and the negotiated rates, further demonstrating that the negotiated rates actually exceeded the cost coverage of the UPU rates in FY 2014.

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2. In both the Item No. 2 analysis and the analysis in Library Reference USPS-FY14-NP35, the amount of revenue for the Royal PostNL NSA at the negotiated rates is the same. However, the calculated revenue for the Royal PostNL NSA at the UPU terminal dues rates in the analysis in Library Reference USPS-FY14-NP35 is nearly 27 percent greater than the calculated revenue in the Item No. 2 analysis. Please explain why there is such a large decrease in calculated revenue at the UPU terminal dues rates in the Item No. 2 analysis compared to the analysis in Library Reference USPS-FY14-NP35.

RESPONSE:

Please see the USPS-FY14-NP35 errata, filed under separate cover. The errata address questions regarding the differences in calculated revenue between the two analyses.

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3. Please confirm that in its analysis in Library Reference USPS-FY14-NP35, the Postal Service used the "Base TD rates in SDR for 2014" for Switzerland presented in Table 1.1 of UPU International Bureau (IB) Circular 111, Provisional 2014 Quality of Service Linked Terminal Dues Rates, July 1, 2013, rather than UPU terminal dues rates applicable to inbound letter post entering the United States. If not confirmed, please explain.

RESPONSE:

USPS-FY14-NP35 does not include data related to Switzerland. Confirmed, to the extent that the question inadvertently identified Switzerland instead of the Netherlands. Please see the USPS-FY14-NP35 errata, filed under separate cover.

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4. To calculate the cost coverage at the UPU terminal dues rates in its analysis in Library Reference USPS-FY14-NP35, please confirm that the Postal Service should have used: (1) for FY 2014, Quarter 1, the "Final QS linked TD Rates in SDR for 2013" for the United States presented in Table 1.1 of IB Circular 68, Final 2013 Quality of Service-Linked Terminal Dues Rates, April 28, 2014; and (2) for FY 2014, Quarters 2-4, the "Provisional QS linked TD Rates in SDR for 2014" for the United States presented in Table 1.1 of IB Circular 111. If not confirmed, please explain.

RESPONSE:

Not confirmed in the case of the Netherlands. As explained in response to Item No. 2 in the Commission's Request for Additional Information, filed on June 25, 2015, any quality adjustment would apply equally to both the negotiated rates and the UPU rates in the case of the Netherlands. Please also see the note in the USPS-FY14-NP35 errata, filed under separate cover, regarding Quality of Service linked rates.