



September 24, 2015

Shoshana M. Grove
Secretary
Postal Regulatory Commission
901 New York Avenue, NW, Suite 200
Washington, DC 20268-0001

Re: Docket Nos. R2014-6 and MC2014-21

Pursuant to Order No. 2097 in Docket Nos. R2014-6 and MC2014-21, the United States Postal Service ("USPS") presents its Data Collection Report on PHI Acquisition, Inc.'s Negotiated Service Agreement with USPS.

Very truly yours,

Valerie J. Pelton
Attorney



**PHI ACQUISITIONS NEGOTIATED SERVICE AGREEMENT
DATA COLLECTION REPORT
(JULY 1, 2014 – JUNE 30, 2015)**

INTRODUCTION:

Pursuant to Order No. 2097 in Docket Nos. R2014-6 and MC2014-21, the United States Postal Service (“Postal Service”) presents its Data Collection Report (“DCR”) on the PHI Acquisitions, Inc.’s (“PHI”) Negotiated Service Agreement (“NSA”) with the Postal Service.

DATA COLLECTION REPORT:

1. PHI volumes entered by qualifying price category for the contract year.

See Appendix A, page 1 (1_Total Volume Revenue Yr. 1).

2. PHI postage paid by qualifying price category for the contract year.

See Appendix A, page 1 (1_Total Volume Revenue Yr. 1).

3. PHI package fulfillment volumes by service level.

See Appendix A, page 2 (2_Package Fulfillment).

4. Adjusted Annual Baseline Threshold and the resulting Quarterly Baseline Volumes that will be used for the next contract year to establish PHI eligibility for rebates and payment of fines, and the underlying calculations.

See Appendix A, page 3 (3_Contract Volume).

5. The rebate paid to or penalty paid by PHI (if any) and the calculations underlying their determination.

See Appendix A, page 4 (4_Year 1 Rebate).



PHI earned an aggregate rebate of \$2,090,204 on the eligible Standard Mail volume since it exceeded the aggregate volume thresholds for Agreement Year 1. PHI did not participate in any other USPS volume/revenue growth incentive program during Agreement Year 1.

ADDITIONAL DATA REQUESTED BY THE COMMISSION PURSUANT TO ORDER NO. 2097:

1. Calculation of the change in net financial position of the Postal Service as a result of the PHI NSA, using the Commission's methodology.

See Appendix A, page 5 (5_Commission's Methodology).

2. PHI-specific costs, volumes, and revenues by qualifying price category for the contract year. If PHI-specific costs are not available, the source and derivation of the costs that are used shall be provided, including a discussion of the currency and reliability of those costs, and their suitability as a proxy for mailer-specific costs.

See Appendix A, page 1 (1_Total Volume Revenue Yr. 1).

3. An analysis of the effects of the Agreement on the net overall contribution to the institutional costs of the Postal Service.

See Appendix A, page 6 (6_USPS Net Value).

The Postal Service does not anticipate there will be negative impact to the net overall contribution to the institutional costs of the Postal Service as a result of this Agreement. Appendix A, page 6 shows volume and positive net contribution of \$1.9 million.

4. A discussion of the changes in operations of the Postal Service that result from the Agreement.

By limiting PHI Eligible Mail to Carrier Route flats (Saturation, High Density Plus, High Density, and Basic) and FSS flats which bear a full-service Intelligent Mail Barcode, the structure and



eligibility requirements of the NSA create economies of scale and scope, which will enhance the preparation of all Flats mail. Other than these eligibility requirements, no components of this Agreement are specifically designed to enhance the performance of mail preparation, processing, transportation, or other functions. Therefore, no discussion was provided.

5. An analysis of the impact of the Agreement on the marketplace, including a discussion of any and all actions taken to protect the marketplace from unreasonable harm.

The Postal Service monitors the performance of, and investigates significant changes in, mailing activity among large mailers including large retail, e-commerce, and catalog industry mailers. To date, we have not observed any significant performance issues that directly or indirectly relate to this NSA. Thus, we do not believe the NSA has cause unreasonable harm to the marketplace. While the Postal Service does not anticipate this agreement will in the future cause any unreasonable harm to the marketplace, we will continue to monitor and investigate significant changes in mailing activity and take appropriate action to protect the marketplace from unreasonable harm.

6. A list of all of PHI's acquisitions and divestitures that occurred during the contract year, and the volumes and threshold impacts associated with any such acquisitions or divestitures.

See Appendix A, page 3 (3_Contract Volume)

The following is the additional volume to the contractual baseline due to acquisition:

Permit	Name	Agreement Year 1	Agreement Year 2