

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

PERIODIC REPORTING
(UPS PROPOSALS ONE, TWO, AND THREE)

Docket No. RM2016-2

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF CHAIRMAN'S
INFORMATION REQUEST NO. 6
(January 8, 2016)**

The United States Postal Service hereby provides its response to Question 1 of Chairman's Information Request No. 6, issued December 23, 2015. The question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
January 8, 2016

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

1. In its Responses to CHIR No. 2, the Postal Service states that it “has attributed inframarginal costs to products in the only instance in which there is a reliably identified causal relationship between those inframarginal costs and the products that caused them. This occurs in the calculation of incremental costs.”¹ Please confirm that the Postal Service has not actually attributed any inframarginal costs to any individual competitive product since Congress enacted the Postal Accountability and Enhancement Act of 2006. If not confirmed, please explain the methodology used to define, calculate, and allocate inframarginal costs to individual competitive products, and provide all supporting workpapers.

RESPONSE:

As mentioned in the response to CHIR 2, the Postal Service attributes inframarginal cost to products in the calculation of incremental costs. (Note, however, when we used the word “attributed” in the quoted section of that response, as clearly explained, we were using it not to signify the development of the costs long known in postal jargon as “attributable costs,” but instead to more generically indicate that a portion of inframarginal costs were being causally linked to products in the development of incremental costs.) The Postal Service confirms that since enactment of the Postal Accountability and Enhancement Act of 2006, it has neither calculated nor produced incremental costs for *individual* competitive products, but has instead calculated and presented the incremental cost for the group of competitive products. That calculation for FY2014 was made with the process presented in USPS-FY14-NP10, and more recently for FY2015, in USPS-FY15-NP10. In addition, the Postal Service notes that the incremental costs for individual competitive products could be calculated using the

¹ Responses of the United States Postal Service to Questions 1-4 of Chairman's Information Request No. 2, December 10, 2015, question 2 (Responses to CHIR No. 2).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

process presented in USPS-FY14-NP10 and USPS-FY15-NP10. The Postal Service also notes that, as long as it continues to experience economies of scale and scope, the incremental cost for the group of competitive products will exceed the sum of the incremental costs for the individual products.