

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

Annual Compliance Report, 2015)

Docket No. ACR2015

**MOTION OF THE ASSOCIATION FOR POSTAL COMMERCE
FOR ISSUANCE OF INFORMATION REQUEST
(January 26, 2016)**

Pursuant to 39 C.F.R. § 3001.21(a), the Association for Postal Commerce (“PostCom”) respectfully requests that the Presiding Officer issue an Information Request to obtain answers to the questions stated in this motion. These questions will serve two primary purposes. First, they may help resolve unexplained discrepancies in the cost information submitted by the Postal Service in its Annual Compliance Report. Second, they will allow interested parties and the Commission to evaluate whether certain initiatives instituted by the Postal Service in the recent past in the name of reducing operational costs have in fact achieved the promised savings. As the Commission exercises its duties as a regulator going forward, this information will allow the Commission to make informed decisions regarding Postal Service proposals.

Accordingly, PostCom respectfully requests that the Commission pose the following questions to the Postal Service:

1. Please identify what the Postal Service views as the primary factors driving the following attributable cost increases over FY2014 reported in Library Reference “USPS-FY15-1 – FY2015 Public Cost and Revenue Analysis (PCRA) Report” and explain how these factors resulted in the reported attributable cost increases:
 - a. The 12.9% increase, from 6.2 to 7.0 cents, in Standard Mail High Density/Saturation Letters.

- b. The 34.62% increase, from 7.8 to 10.5 cents, in Standard Mail High Density/Saturation Flats and Parcels.
 - c. The 9.57% increase, from 18.8 to 20.6 cents, in Standard Mail Carrier Route.
- 2. With respect to the 12.9% increase, from 6.2 to 7.0 cents, in Standard Mail High Density/Saturation Letters, please indicate the percentage of Standard Mail High Density/Saturation Letters that is entered at the DDU, then moved upstream for Delivery Point Sequencing (“DPS”) processing at an SCF.
- 3. Please refer to Library Reference “USPS-FY15-26 – Mail Processing Costs by Shape” and identify what the Postal Service views as the primary factors driving the 5.7% increase in processing costs for First Class Mail presort letters when compared to FY2014 and explain how these factors have resulted in this increase.
- 4. As indicated in Library Reference “USPS-FY15-26 – Mail Processing Costs by Shape” and in the ACRs for FY2013 and FY2014, the processing costs for Standard Mail Letters decreased by 2.28 percent from FY13 to FY14, but increased by 2.75 percent from FY14 to FY15. Please identify and explain what the Postal Service views as the primary factors driving this volatility.
- 5. With respect to the justification of implementing the Flats Sequencing System (“FSS”), the USPS has stated that under FSS processing, mail processing costs were likely to increase while delivery costs would decrease. In the ACR for FY2013, for instance, the Postal Service stated: “FSS has increased the mail processing costs of Flats as the sequencing activity has moved from delivery to mail processing. However, these increased costs are offset by lower delivery costs.” USPS FY 2013 Annual Compliance Report at 23 (Docket No. ACR2013). Yet Delivery costs for Standard Mail Flats rose

over 8 percent from FY 2013 to FY 2014 while at the same time, mail processing costs for Standard Mail Flats rose almost 9 percent. In the current FY 2015 ACR, in the two products most processed on FSS (Standard Mail flats and Periodicals Outside County), mail processing costs decreased by 0.36 percent and 4.5 percent, respectively, while delivery costs went up by 7.90 percent and 7.91 percent respectively. Please explain why, contrary to previous predictions, delivery costs continue to increase under FSS, even while processing costs appear to have decreased in the past year.

- a. How much, if any, of the reduced flats processing cost is due to the increase in FSS Scheme pallets resulting from the 250 lb. pallet rule?
 - b. How much have pallet handling costs increased due to the increased quantity of pallets?
6. PostCom understands that, as it does before implementing any significant capital project, USPS submitted a Decision Analysis Report (“DAR”) to the Board of Governors before deciding to purchase the FSS. In this DAR, USPS outlined its worst case scenario for FSS volumes. With respect to this analysis:
 - a. Please identify the FSS volume level USPS considers a worst case scenario.
 - b. Has USPS identified any actions it will take in the event the worst case scenario is reached? If so, please identify and describe these actions and explain the reasoning behind taking the planned actions. If not, please explain why USPS has not planned for this contingency.
7. Has the increase in the number of pallets from the 250 lb FSS Scheme pallet rule affected the USPS’ ability to manage service performance effectively?

- a. If possible, please provide service performance figures which would enable a comparison of service performance between FSS and non-FSS zones.
8. On page 19 of the ACR, USPS provides the following table reflecting its performance on “key metrics” appearing on the FSS Scorecard:

Performance Metric	FY 14	FY 15
Throughput per hour (pph)	8,746	8,840
Delivery Point Sequence (DPS)	58.57%	59.99%
Mail Pieces At-Risk	6.15%	5.34%

This chart demonstrates improvement in these metrics, yet cost coverage for products processed on FSS, particularly Standard Mail Flats and Periodicals, declined in FY2015. In light of these seemingly contradictory trends, please answer the following questions:

- a. Does USPS track the costs required to prepare mail for its first pass on FSS machines? If so, please indicate the costs associated with this preparation by product.
 - b. Please identify the full Flats processing, in-office and delivery costs for the approximately 40% of Flats run through FSS that are not in Delivery Point Sequence after passing through the FSS machine.
 - c. Please provide cost estimates for At-Risk volume and FSS volume that does not get DPS versus those ran on FSS.
9. On pages 23-24 of the ACR, USPS discusses the High Speed Flats Feeder (“HSFF”) and describes efficiency gains USPS expects to realize from its deployment. Has the USPS quantified expected cost savings from the deployment of this machine? If so, please provide the the expected cost savings.
- a. Does USPS expect the HSFF to improve its performance on the “key metrics” identified in the FSS Scorecard, in particular reducing At-Risk mail and increasing the percentage of DPS mail? If so, please provide any estimates of

improvement in these metrics resulting from HSF deployment USPS has prepared.

10. In comparing the costs reported in Library Reference “USPS- FY15-19 FY2015 Delivery Costs by Shape” to those reported in the FY14 ACR, Standard Mail Saturation Letters delivery costs increased by 30.94 percent despite being one of the least costly, least handled mail categories entered into the postal system. What is causing such a drastic increase in delivery costs for this product?

- a. Does the USPS have a plan to stem the increase in delivery cost for this product? If so, please identify the steps USPS plans to take and explain how these steps will prevent further increases in delivery costs for this product.

11. In comparing the costs reported in Library Reference “USPS- FY15-19 FY2015 Delivery Costs by Shape” to those reported in the FY14 ACR, Bound Printed Matter Flats Delivery Cost increased by 34.77 percent. Please identify what the Postal Service views as the primary factors driving the increase in delivery cost for this product and explain how these factors resulted in the reported delivery cost increase.

- a. Does the USPS have a plan to stem the increase in delivery cost for this product? If so, please identify the steps USPS plans to take and explain how these steps will prevent further increases in delivery costs for this product.

12. Has USPS realized all the savings from its Network Rationalization Initiative?

- a. Has USPS been able to capture all the savings it projected it would realize from this initiative? If not, please explain why the full amount of projected savings has not been realized.

- b. If USPS was able to capture all of the savings it projected it would realize from the Network Rationalization Initiative, please identify the month in which it reached this milestone.
- 13. Please refer to Library Reference “USPS-FY15-2 – FY 2015 Public Cost Segments and Components,” Public Cost Segments and Components worksheet, at tab CS14. Please explain why there are Domestic Air costs associated with High Density/Saturation Letters, High Density/Saturation Flats and Parcels, and Carrier Route.
- 14. Please identify what the Postal Service views as the primary factors driving the following cost changes from FY14 values identified in Library Reference “USPS-FY15-2 – FY 2015 Public Cost Segments and Components,” Public Cost Segments and Components worksheet, CSS Summary tab:
 - a. The 12.83% increases in High Density and Saturation Letters C/S 3.
 - b. The 26.43 % decrease in EDDM C/S 3.
 - c. The 22.11% increase in High Density/Saturation Letters C/S 6.
 - d. The 8.84% increase in High Density/Saturation Flats and Parcels C/S 6.
 - e. The 3.05% increase in Standard Mail Flats C/S 6.
 - f. The 91.12% increase in Bound Printed Matter Flats C/S 6.
 - g. The 29.38% increase in Bound Printed Matter Parcels C/S 6.
 - h. The 25.57% increase in High Density/Saturation Letters C/S 7.
 - i. The 20.63% increase in High Density/Saturation Letters C/S 10.
 - j. The 97.12% increase in High Density/Saturation Flats and Parcels C/S 7.
 - k. The 13.47% increase in Carrier Route C/S 7.
 - l. The 43.32% increase in Standard Mail Flats C/S 7.

- m. The 83% increase in High Density/Saturation Flats and Parcels C/S 14.
 - n. The 27.78% and 28.93% increases in Inter-SCF and Inter-NDSC, respectively, highway transportation costs attributed to Periodicals?
15. With respect to Library Reference “USPS-FY15-2 – FY 2015 Public Cost Segments and Components,” Public Cost Segments and Components worksheet, CSS Summary tab, please explain why In County Periodicals and Outside County Periodicals saw an increase in C/S 7 of 22.80 percent and 21.66 percent, respectively, but saw a decrease in C/S 10 of 2.89 percent and 3.78 percent, respectively, when compared to FY2014?

Respectfully submitted,

/s/ Matthew D. Field

Matthew D. Field
Ian D. Volner
Venable LLP
575 7th Street, NW
Washington, DC 20004-1601
idvolner@venable.com
mfield@venable.com
Counsel for Association for Postal Commerce