

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

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 5-7, 9-10, 12, AND 17-28 OF  
CHAIRMAN'S INFORMATION REQUEST NO. 6

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 6, issued on January 22, 2016. Each question is stated verbatim and followed by the response. The responses to the other questions are still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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5. Please provide the number of Automated Postal Centers (APCs) in operation as of the end of FY 2015. Please describe any formal plan(s) for the addition of more APCs during FY 2016.

**RESPONSE:**

Self Service Kiosks (SSK) is the current term for the equipment formerly known as APCs, and there were 2843 SSKs in operations as of the end of FY 2015. There are no plans to add any additional kiosks in FY 2016.

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6. Please provide an update for FY 2015 of the table entitled, "Retail Revenue by Channel" as shown in Postal Service Responses to CHIR No. 1, question 5 in Docket No. ACR2013. See Responses of the United States Postal Service to Questions 1-3, 5-10 and 12 of Chairman's Information Request No. 1, January 13, 2014.

**RESPONSE:**

<b>Channel</b>	<b>FY2015 Revenue</b>	<b>Share of Total Retail Revenue</b>	<b>Change from FY2014</b>
Post Offices	\$10,769,202,435	56.05%	-2.15%
PC Postage	\$5,578,666,319	29.03%	11.10%
Stamps Only Sales by Retail Partners	\$1,113,582,281	5.80%	-9.46%
Automated Postal Centers (kiosks)	\$382,440,990	1.99%	0.59%
Stamps by Mail/Phone/Fax	\$72,830,739	0.38%	-23.70%
Contract Postal Units	\$140,295,313	0.73%	-4.98%
Click-N-Ship	\$555,105,276	2.89%	4.09%
Other	\$602,594,417	3.14%	-5.66%
<b>Total Retail Revenue</b>	<b>\$19,214,717,771</b>	<b>100.00%</b>	<b>0.85%</b>

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7. Please provide the proportion of collection boxes for which the last mail pick-up time is:
- a. Midnight to 11:59 a.m.
  - b. Noon to 2:59 p.m.
  - c. 3:00 p.m. to 4:59 p.m.
  - d. 5:00 p.m. to 6:59 p.m.
  - e. 7:00 p.m. to 11:59 p.m.

**RESPONSE:**

Midnight to 11:59 AM	19%
Noon to 2:59 PM	23%
3:00 PM to 4:59 PM	40%
5:00 PM to 6:59 PM	17%
7:00 PM to 11:59 PM	1%

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9. Please provide the number of POStPlan level 2, level 4, and level 6 offices where the realignment of office hours pursuant to POStPlan had not yet taken place by October 1, 2015.

**RESPONSE:**

Completion of realignments occurred in the course of FY 2015, so the number of offices where realignment had not occurred by October 1, 2015 was zero.

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10. The Postal Service states in its Responses to CHIR No. 2, question 13, part b,<sup>2</sup> that increases in mail processing and transportation costs for Media Mail/Library Mail may be due to sampling variation.
- a. Please provide the total number of In-Office Cost System (IOCS) tallies, the coefficient of variation for the IOCS-based cost estimate, and the 95 percent confidence interval for the cost coverage for Media Mail for FY2015, FY2014, and FY2013.
  - b. Please provide the total number of In-Office Cost System (IOCS) tallies, the coefficient of variation for the IOCS-based cost estimate, and the 95 percent confidence interval for the cost coverage for Library Mail for FY2015, FY2014, and FY2013.

**RESPONSE:**

a-b. Because the CRA does not provide separate estimates for Media Mail and for Library Mail separately, data for both together has been combined together. See Table 1 for: total number of IOCS tallies; the coefficient of variation (CV) for mail processing, CS3.1; a projection of the CV for total CRA costs; and the resulting confidence interval for cost coverage. The projection for the CV for total CRA costs uses a simplifying assumption that mail processing costs are about 50 percent of total costs and that the remaining costs where costs have approximately the same CV as CS3.1 so that the combined CV is  $\frac{CV(CS3.1)}{\sqrt{2}}$ <sup>3</sup>. A more accurate measure of the CV for cost coverage would require combining CVs from multiple data systems for both costs and revenues appropriately.

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<sup>2</sup> Responses of the United States Postal Service to Questions 1-14 of Chairman's Information Request No. 2, January 15, 2016 (Responses to CHIR No. 2).

<sup>3</sup> This simplifying assumption reflects the fact that mail processing costs, including piggybacks, formed 54 percent, 52 percent, and 54 percent of total costs for Media Mail / Library Mail in FY2013, FY2014 and FY2015, respectively.

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Table 1: Media Mail / Library Mail

Media/Library Product	FY13	FY14	FY15
Number of tallies	712	570	535
CV (Mail processing, CS3.1)	4.5%	5.1%	5.6%
CV used for all costs*	3.2%	3.6%	3.9%
Cost Coverage, lower bound	80%	88%	71%
Cost Coverage, point estimate	85%	94%	76%
Cost Coverage, upper bound	91%	101%	83%
*Assumes Mail processing is 50% of total costs, and remaining 50% has same CV.			

In IOCS, while Media Mail and Library Mail can be separated when the employee is handling a single mailpiece, it cannot be separated when the employee is handling a sack or other non-wheeled container. See Table 2 for a breakdown of IOCS tallies.

Table 2: IOCS Tallies for Media Mail and for Library Mail

Number of IOCS tallies					
Media/Library subcategory	FY13	FY14	FY15	Total	% of Total
Media mailpiece	653	538	496	1,687	93%
Library mailpiece	33	21	23	77	4%
Media/Library mixed	26	11	16	53	3%
Total	712	570	535	1,817	100%

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12. Please refer to Library Reference USPS-FY15-33, Excel file "DeliveryPointsFY2015."
- a. Please provide definitions for the headers in the sheets titled: "Beginning FY 2015" and "End FY 2015," row 1: ACTIVE RES CURB, ACTIVE RES SDWK, ACTIVE RES NDCBU, ACTIVE RES CENTRAL, ACTIVE RES OTH1, ACTIVE BUS CURB, ACTIVE BUS SDWK, ACTIVE BUS NDCBU, ACTIVE BUS CENTRAL, ACTIVE BUS OTH1, Active Res, Active Bus.
  - b. With respect to the subsequent sheets, please define their titles: CURB; SDWK; CENT; NDCBU; OTHER. Also, in the note on the first sheet, there is an explanatory comment that reads, "In addition, there is a new tab titled "Sdwk," which reports the number of potential residential and business sidewalk delivery points." Please explain what "potential" means in this context.

**RESPONSE:**

a.-b. The requested definitions are provided below. The information is from the Address Coding Manual, dated August 2015.

RES is for residential; BUS is for business; Curb is for curblines; SDWK is for sidewalk, Cent is for Central and NDCBU is for neighborhood delivery collection box unit and OTH is for other.

**Usage Codes:**

**Residential (R)** The delivery point is purely a residence.

**Business (B)** The delivery point is purely a business.

**Delivery Types:**

**Curblines (A)** The delivery point is serviced via motorized vehicle at a mail receptacle which is located at the curb such that in ordinary circumstances the carrier does not leave the vehicle to service box.

**CBU/NDCBU (B)** The delivery point is serviced at a mail receptacle which is located within a centralized box unit, secured by an arrow lock and normally set on a pedestal.

**Central (C)** A centralized delivery is a mail receiving unit where the carrier has access to more than one individual customer's receptacle by opening only one door or box unit. Delivery is normally within a centralized box, secured by an arrow lock, and set in a wall-type installation or as defined by USPS.

**Other (D)** All delivery types which do not fit into one of the above delivery types



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**Sidewalk (L)** Delivery of mail to a mail receptacle by a letter carrier on foot from a sidewalk or similar walkway or path.

With respect to the meaning of "potential" in the applicable context: Potential delivery points include all delivery points that are currently receiving delivery, as well as vacant or new growth addresses not currently receiving delivery. Active deliveries are all addresses currently receiving delivery but excluding vacant and/or new growth addresses.

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17. The New York district reported relatively low service performance scores throughout all four quarters of FY 2015 when compared to other districts. Please discuss all factors that contributed to low service performance results in the New York district.

**RESPONSE:**

Similar to the rest of the Nation, the New York District went through the same changes to align staffing with the new operating window change associated with Phase 2 implementation. This major staffing realignment had a negative impact on service performance specifically in Quarter 2. It took several months for staffing to be aligned with mail processing operations, mail arrival and transportation. The staffing realignment resulted in significant training of employees in new job assignments. During the transition period, New York reported delayed volume. Although service performance was low throughout the year, it recovered after Quarter 2 and continued to improve into FY2016.

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- 18.** During the second quarter of FY 2015, the New York district reported the lowest scores (44.29 percent on-time) relative to other districts for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard.
- a. Please discuss the specific factors that contributed to the New York district only achieving 44.29 percent on-time performance in the second quarter for First-Class Mail Single-Piece Letters/Postcards with a 3-5-Day service standard.
  - b. Did these factors contribute to low scores in other districts during the second quarter (e.g., Los Angeles district - 47.85%, South Florida district – 48.61%, Triboro district – 49.97%, etc.)? In addition, please identify and discuss other factors, if any, that effected service performance results for these and other districts.

**RESPONSE:**

- (a) Similar to the rest of the Nation, the New York District went through the same changes to align staffing with the new operating window change associated with Phase 2 implementation. It took several months for staffing to be aligned with mail processing operations, mail arrival and transportation. The staffing realignment resulted in significant training of employees in new job assignments. In addition, the lack of service responsive aircraft capacity to support shifting volume as a result of Phase 2 network rationalization caused capacity constraints. The New York District was also impacted by winter weather during Quarter 2.
- (b) Yes, the same staffing realignment, training efforts and air capacity constraints contributed to low scores in Quarter 2 in other districts, including Los Angeles, South Florida and Triboro.

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- 19.** Please refer to Library Reference USPS–FY15–29, Excel file “FY15 ACR First-Class Mail.xls.” With respect to performance results during the second quarter, please discuss the factors that led to low service performance results for First-Class Mail Flats with a 3-5-Day service in the Northeast and Southern areas (*i.e.*, lower than 50 percent on-time).

**RESPONSE:**

Similar to the rest of the Nation, the Northeast and Southern Areas went through the same changes to align staffing with the new operating window change associated with Phase 2 implementation. This major staffing realignment had a negative impact on service performance specifically in Quarter 2. It took several months for staffing to be aligned with mail processing operations, mail arrival and transportation. The staffing realignment resulted in significant training of employees in new job assignments. In addition to the staffing realignment, the Northeast Area was impacted by winter storms which disrupted mail processing operations in most of their performance clusters.

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- 20.** Please refer to Library Reference USPS–FY15–29, Excel file “FY15 ACR Standard Mail.” With respect to End-to-End Standard Mail Flats, please discuss the challenges the Postal Service faces in achieving on-time delivery for mail with a:
- a. 3-5-day service standard;
  - b. 6-10-day service standard; and
  - c. 11-day-and-above service standard.

**RESPONSE:**

End-to-End Standard Mail Flats volume is very low compared to DSCF Standard Flats volume. Only 10 percent of the total Standard Flats volume is End-to-End. This volume faces the same challenges as DSCF Standard Flats such as bundle breakage, mail makeup, reject handling and depth of sort. In addition, this volume faces surface network challenges with increased transportation time through the NDC network. Also, this volume is handled multiple times and in different facilities, which puts this volume at a higher risk to meet service performance.

- (a) Although not achieving on-time delivery, the 3 to 5 days service standard remained relatively flat throughout all quarters. This volume faces the challenges described above.
- (b) The 6 to 10 days service standard had the lowest performance of the three categories. The extended surface network transportation through the NDC network is the highest challenge to this category. This volume is handled in multiple NDCs and P&DCs before reaching its destination. Low volume combined with extra handling and transportation puts this volume at a higher risk to meet service performance.

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(c) Although not achieving on-time delivery, the 11+ days service standard had the highest performance for the fiscal year. This volume faces the challenges described above.

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- 21.** Please refer to the FY 2015 Annual Performance Report included in the Postal Service's FY 2015 Annual Report to Congress. In the Annual Performance Report, the Postal Service states that "[w]eather incidents continue to affect performance ...." Library Reference USPS-FY15-17, December 29, 2015, at 15. Please provide a list of weather incidents that impacted service performance. For each weather incident please provide the following information:
- a. The fiscal quarter in which the weather incident occurred.
  - b. The district(s) impacted by each weather incident.
  - c. A detailed explanation of how operations were affected by each weather incident (e.g., carriers could not walk through snow, trucks could not drive from one processing plant to another, flights were canceled, etc.).
  - d. An explanation (and quantification) of how nationwide service performance was impacted during the fiscal quarter in which each weather incident occurred.
  - e. An explanation (and quantification) of how each weather incident impacted the service standards for each market-dominant product (e.g., First-Class Mail 2-3 day, First-Class Mail Presort Overnight, etc.).

**RESPONSE:**

The Postal Service does not generally attempt to maintain a list of discrete weather incidents, in part because such a list would require *post hoc* meteorological determinations of whether conditions in different locations at the same time or at different times (or at the same location at different times) were the result of the same weather incident or different weather incidents. Maintaining such information *post hoc* would not aid the Postal Service in its mission to move the mail. Nevertheless, the following information can be provided.

- (a) Weather incidents occurred in Quarter 2.
- (b) Central Illinois, Chicago, Connecticut Valley, Greater Boston, Long Island, New York, Northern New England, Northern New Jersey, Tennessee, Triboro, Westchester and Western NY.

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- (c) In Quarter 2, the Northeast and Great Lakes Areas suffered from a long and severe period of wintry weather. The winter storms impacted several air stops closing some airports and multiple flights were canceled in others. Impacted airports were BDL, BOS, BUF, EWR, JFK, MHT, ORD and PVD. In addition to flight cancellations, road conditions were severely impacted by the weather and were closed for certain periods. Airport closures and cancellations as well as hazardous road conditions prevented mail volumes from being transported to and from processing facilities in a timely manner.
- (d) The Memphis air network integrator was severely impacted by an ice storm the first week of March in Quarter 2. It took one week for the air integrator to fully recover. During this period mail was diverted to surface transportation. This weather incident severely impacted nationwide service performance as it took days for the network to stabilize. In order to keep the network fluid, surface transportation was put in place which was not service responsive.
- (e) All market-dominant products were similarly impacted by the long and severe period of wintry weather in the Northeast and Great Lakes Areas as well as the ice storm in Memphis. Airport closures and cancellations as well as hazardous road conditions prevented mail volumes from being transported to and from processing facilities in a timely manner. As a result, critical entry times and clearance times were missed which contributed to not achieving service standards. In some areas, delivery operations were disrupted due to hazardous weather conditions which also contributed to not achieving service standards.



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- 22.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive products: Priority Mail Contract 41, Priority Mail Contract 45 (Pallet Open and Distribute component only), Priority Mail Contract 61, Priority Mail Contract 62, Priority Mail Contract 101, and Priority Mail Contract 138.
- a. In Library Reference USPS–FY15–NP27, “Priority” folder, Excel file “TRACS HWY cost per mile FY15,” tab “cost per mile,” cell F10, the FY 2015 Inter-SCF average cost per mile is different than the average cost per mile used in the financial models for the above listed Priority Mail contracts.
    - i. Please confirm that the cost per mile input in the Excel file for each of the above Priority Mail contracts, tab “Partner Unit Costs,” cells C14-F14 (Inter-SCF cost per mile) is based on an average from FY 2015 Quarters 2, 3, and 4.
    - ii. If confirmed, please explain why the FY 2015 Inter-SCF cost per mile is not used.
    - iii. If not confirmed, please provide the source of the average Inter-SCF cost per mile used in the model.
  - b. Please specify whether any additional inputs to the financial models for the above contracts rely on partial FY 2015 data. If so, please specify which inputs, the reason(s) for relying on partial FY 2015 data, and explain any adjustments made to account for partial year calculations.
  - c. In Library Reference USPS–FY15–NP27, in the Excel files associated with each of the above contracts, please provide the actual data and source of data for cells C14-F14 and C19-F19 in the “Partner Unit Costs” tab.

**RESPONSE:**

- a. (i)-(iii): Confirmed. Data for cost per mile for Q1 of each year are unreliable because of the holiday shipping season. Additional ad hoc transportation is purchased during Q1 to accommodate the additional volume, but the miles for ad hoc transportation are not recorded reliably, therefore the costs per mile for Q1 are not reliable. Thus data from only quarters 2, 3 and 4 are used.

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- b. No.
- c. C14-F14 contain judgmental estimates of the average utilization of inter-NDC highway transportation. C19-F19 contain judgmental estimates of the per-use cost of using containers that incorporates both the approximate cost and the approximate number of times the container is re-used. For contracts where the customer provides the containers (PM 61, PM62, PM 101, PM 138), this cost is zero.

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- 23.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive product: Priority Mail Contract 45 (Priority Mail Open and Distribute component only). Please provide the actual data and source of data for cells C11, C12, D14, and E14 in the “Partner Unit Costs” tab.

**RESPONSE:**

C11 is a judgmental estimate of the transportation savings accrued because DSCF Open and Distribute containers are not transported from the SCF to the delivery unit, but instead are opened at the SCF. C12 is based on a study of the characteristics of the mail from this partner. However, the study was performed several years ago, and the source data are no longer available. D14 and E14 are based on the shipping patterns for this partner.

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- 24.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive product: Priority Mail Express Contract 25. Please provide the actual data and source of data for cells C31-C34 in the “Partner Unit Costs” tab.

**RESPONSE:**

C31 and C32 are judgmental estimates for the cost for the Half and Full Trays. C33 is the weighted average of C31 and C32, weighted by D31 and D32. C34 is blank. If the question was intended to apply to cell C35 rather than C34, C35 reflects a formula capturing the delivery savings from the Open and Distribute portion of the partner volume (whose delivery costs are borne by the ‘contained’ mailpieces).

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- 25.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive product: Parcel Select Return Contract 4. Please provide the actual data and source of data for cells C7, C12, and C13 in the “Partner Unit Costs” tab.

**RESPONSE:**

For Questions 25, 26, and 27, the Postal Service assumes the Sheet reference is to ‘PartnerProfile’, rather than ‘Partner Unit Costs’, which does not always exist. Also, the contract reference is assumed to be PRS 8, since PRS 4 did not have any volume in FY15.

C7 is partner cube – developed by the product manager using partner volume distribution by weight (CP 2015-73, Partner\_PRS\_FN\_Analysis.xlsx) and average cube by weight from ACR 2014, USPS-FY14-NP27, SupportPriority\_FY14.xlsx. C12 is delivery time, and C13 is the number of pieces per bulk delivery, and both are judgmental estimates.

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- 26.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive products: Parcel Select Return Contract 7, Parcel Select Return Contract 9, and Parcel Select Return Contract 10. Please provide the actual data and source of data for cells C7 and C12 in the “Partner Unit Costs” tab.

**RESPONSE:**

For Questions 25, 26, and 27, the Postal Service assumes the Sheet reference is to ‘PartnerProfile’, rather than ‘Partner Unit Costs’, which does not always exist.

C7 is partner cube; C12 is pickup time. Both are judgmental estimates that are developed based on input from the product manager.

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- 27.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive product: Parcel Select Return Contract 8. Please provide the actual data and source of data for cell C15 in the “Partner Unit Costs” tab.

**RESPONSE:**

For Questions 25, 26, and 27, the Postal Service assumes the Sheet reference is to ‘PartnerProfile’, rather than ‘Partner Unit Costs’, which does not always exist.

The Postal Service response also assumes the contract reference is PRS 5, the only product with any value in the cell C15 in ‘PartnerProfile’ tab. This is a judgmental estimate from observations at partner sites conducted in the past when RNDC volume was a significant percentage of the total PRS volume. Note that because RNDC is no longer a significant percentage of volume, this parameter has little impact on overall costs.

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- 28.** Please refer to the cost data provided in Library Reference USPS–FY15–NP27 for the following Competitive product: First Class Package Service Contract 36. Please provide the actual data and source of data for cells F11 and F12 in the “Partner Unit Costs” tab.

**RESPONSE:**

F11 is delivery trip time, a judgmental estimate. F12 is an estimate of the average daily volume provided by the product manager.