

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Annual Compliance Report, 2016

Docket No. ACR2016

CHAIRMAN'S INFORMATION REQUEST NO. 12  
AND NOTICE OF FILING UNDER SEAL

(Issued January 30, 2017)

To clarify the basis of information provided by the Postal Service in its FY 2016 Annual Compliance Report (ACR), filed December 29, 2016,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 6, 2017.

**International Cost and Revenue Analysis (ICRA) Costing and Reporting**

1. Please see Attachment, filed under seal.
2. Please see Attachment, filed under seal.

**International Market Dominant Negotiated Service Agreements (NSAs)**

3. Please refer to the response to Chairman's Information Request No. 3, questions 17 and 18.<sup>2</sup> In light of the revisions to the ICRA provided in revised Library Reference USPS-FY16-NP2,<sup>3</sup> please provide estimated revenue at Universal Postal Union (UPU) rates that demonstrates that each Multi-Service Agreement

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<sup>1</sup> United States Postal Service FY 2016 Annual Compliance Report, December 29, 2016 (FY 2016 ACR).

<sup>2</sup> Responses of the United States Postal Service to Questions 1-2, 4-9, 11-13, 15-19, 23, 28, and 31-33 of Chairman's Information Request No. 3, January 13, 2017, questions 17 and 18.

<sup>3</sup> Library Reference USPS-FY16-NP2, January 19, 2017.

with cost coverage under 100 percent improves the Postal Service's net financial position.

4. If any of the above-referenced Multi-Service Agreements do not improve the net financial position of the Postal Service over UPU rates, please discuss what steps the Postal Service is taking to improve cost coverage.

#### **International Billing Determinants and Product-Specific Costs**

5. Please see Attachment, filed under seal.

#### **International Competitive NSAs**

6. Please see Attachment, filed under seal.
7. Please see Attachment, filed under seal.

#### **International Service Performance**

8. Please see Attachment, filed under seal.

#### **International Mailing Fees**

9. Please see Attachment, filed under seal.

#### **Special Services**

10. Please refer to the Postal Service's discussion of Collect on Delivery (COD) cost coverage on page 62 of the FY 2016 ACR. The Postal Service states that the cost of COD in FY 2016 "increased from \$3.0 million to \$4.9 million, despite a substantial decline in reported transactions." Additionally, please refer to the Public Cost Segments and Components Reports contained in Library References

USPS-FY15-2 and USPS-FY16-2 in Docket No. ACR2015 and Docket No. ACR2016, respectively.<sup>4</sup>

- a. Please confirm that the Cost Segment 3 (Clerks and Mailhandlers) cost for COD increased from \$434 thousand<sup>5</sup> in FY 2015 to \$1.864 million<sup>6</sup> in FY 2016. If not confirmed, please explain.
- b. Please confirm that the majority of the increase was incurred in two Cost Segment categories, Mail Processing (increased from \$270 thousand in FY 2015 to \$771 thousand in FY 2016) and Window Service (increased from \$134 thousand in FY 2015 to \$1.034 million in FY 2016).<sup>7</sup> If not confirmed, please explain.
- c. Please explain why both Mail Processing and Window Service costs increased despite a decline in reported transactions.
- d. For the COD product, please provide the total number of IOCS tallies, the coefficient of variation for the IOCS-based cost estimate, and the 95-percent confidence interval for the cost coverage for both FY 2015 and FY 2016.

By the Chairman.

Robert G. Taub

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<sup>4</sup> Docket No. ACR2015, Library Reference USPS-FY15-2, December 29, 2015; Docket No. ACR2016, Library Reference USPS-FY16-2, December 29, 2016.

<sup>5</sup> Docket No. ACR2015, Library Reference USPS-FY15-2, Excel file "FY15.Public Cost Segs and Comps.xls," tab "CSSummary," cell E42.

<sup>6</sup> Library Reference USPS-FY16-2, Excel file "FY16Public Cost Segs and Comps.xls," tab "CSSummary," cell E42.

<sup>7</sup> Compare Docket No. ACR2015, Library Reference USPS-FY15-2, Excel file "FY15.Public Cost Segs and Comps.xls," tab "CS03," cells C42 and D42 with Docket No. ACR2016, Library Reference USPS-FY16-2, Excel file "FY16Public Cost Segs and Comps.xls," tab "CS03," cells C42 and D42.