

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

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-12 OF CHAIRMAN'S INFORMATION REQUEST NO. 11

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 11, issued on January 27, 2017. Each question is stated verbatim and followed by the response. The response to Question 13 is still under preparation.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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1. On page 65 of the FY 2016 ACR, regarding the PHI Acquisitions, Inc. NSA (PHI NSA), the Postal Service states that “using the Commission’s preferred methodology, as also shown in USPS-FY16-30, the net value of the [PHI] NSA to the Postal Service’s net financial position over the contract year was negative \$1.349 million.” The Standard Mail elasticity used to calculate the net value of the PHI NSA is -0.788.¹ On January 23, 2017, the Postal Service provided FY 2016 elasticities.² The updated elasticity for Standard Enhanced Carrier Route is -0.846. Market Dominant Demand Analyses at 14. The updated elasticity for Standard Regular Machinable Non-Letters is -0.484. *Id.* at 13.
 - a. Please confirm that 85.35 percent of the total volume mailed by PHI in the contract year was mailed as Standard Mail Flats Carrier Route³ and 14.65 percent of the total volume mailed by PHI in the contract year was mailed as Standard Mail Flats Pre-Sort Regular.⁴ If not confirmed, please explain.
 - b. With the volume distribution from part a. and the FY 2016 elasticities, please confirm that the FY 2016 Standard Mail elasticity for PHI is -0.793.
 - i. If not confirmed, please explain.
 - ii. If confirmed, please provide an updated calculation of the net value of the PHI NSA.

RESPONSE:

- a. Confirmed.
- b. Confirmed. Also, preparation of this response disclosed input errors in the volume threshold values (in cells H11:H13) of tab 4_Commission’s Methodology of the FY16 30 ACR_NSA_2016.xlsx worksheet in USPS-FY16-30. The values for Year 3 were incorrectly used in place of the values for Year 2. The correct Year 2 threshold volumes appear in the Contract Volume tab of the Excel file provided with the PHI Data Collection Report Year 2 (November 29, 2016).

¹ Library Reference USPS-FY16-30, December 29, 2016, Excel file “FY16 30 ACR_NSA_2016.xlsx,” tab “4_Commission’s Methodology,” cell D14.

² See Market Dominant Demand Analyses, FY 2016, January 23, 2017, Word file “Demand Equation Tables (md).doc” (Market Dominant Demand Analyses).

³ Library Reference USPS-FY16-30, Excel file “FY16 30 ACR_NSA_2016.xlsx,” tab “2_MC2014-21 PHI NSA,” cells J22:J26.

⁴ *Id.* at cells J12:J18.

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- i. Not applicable.
- ii. The Excel file attached to this response electronically indicates that substitution of the updated elasticity estimate and the correct Year Two threshold volumes would change the net value figure under the Commission's preferred methodology from the negative \$1.349 million figure shown in the ACR text to negative \$1.047 million.

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2. The following questions pertain to the mail fee revenue provided in Library Reference USPS-FY16-NP28, December 29, 2016.
- a. Please confirm the fee revenue by mail class provided in Excel file "Attachment A_MD Fee Distribution.xls," worksheet "MD Fees." If not confirmed, please provide the correct amounts and any additional fee categories needed to reconcile total market dominant fees.
 - b. Please confirm that First-Class Picture Permit Fees should not be included in First-Class Fees because they are already included in the MD Billing Determinants. If not confirmed, please correct and explain.
 - c. Please confirm the fee revenue by mail class provided in Excel file "Attachment B_COMP Fee Distribution.xls," worksheet "COMP FEES," filed under seal. If not confirmed, please provide the correct amounts and any additional fee categories needed to reconcile total competitive fees.
 - d. Please provide a distribution breakdown of FY 2016 market dominant mail fees for each product in each of the mail categories shown in subsequent tabs included in Excel file "Attachment A_MD Fee Distribution.xls." Include with your response all underlying calculations and source workpapers.
 - e. Please provide a distribution breakdown of FY 2016 competitive mail fees for each product in each of the mail categories shown in subsequent worksheets included in Excel file "Attachment B_COMP Fee Distribution.xls," filed under seal. Include with your response all underlying calculations and source workpapers.

RESPONSE:

- a. Confirmed, with two exceptions. First, the highlighted cell for First-Class Picture Permit should be 93.774, consistent with footnote 1 in the "MD Fees" worksheet, and with the response to part (b). Second, the highlighted cell for Standard Mail Permit should be relabeled as "Standard Mail Picture Permit", and the cell should be 10.234 instead of 0.0. This makes the Total First-Class Mail Fees and Total Standard Mail Fees 136,880.25 and 48,022.52, respectively, matching the RPW totals.
- b. Not confirmed. The more appropriate treatment is to include Picture Permit fees in First-Class Mail Fees, and exclude them from the First-Class Mail postage revenue total

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in the MD Billing Determinants. This treatment matches RPW's reporting more closely. Corrected First-Class Mail Billing Determinants can be found in the attached Excel file associated with this response, in which the Picture Permit row remains, but the amounts in that row have been excluded from the totals.

c. Confirmed.

d. The formulas used for derivation are in the attached worksheet associated with this response. The source data are the data provided by the Commission in the "MD Fees" tab. The volumes for the mail categories identified by the Commission in "Attachment A_MD Fee Distribution.xls" were pulled from the Billing Determinants for each of the classes.

e. The formulas used for derivation are in the worksheet associated with this response and provided under seal as part of USPS-FY16-NP36. The source data are the data provided by the Commission in the "COMP FEES" tab and the volumes for the mail categories identified by the Commission in "Attachment B_Comp Fee Distribution.xls" were pulled from the Billing Determinants for each of the classes.

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3. The Postal Service's public Cost and Revenue Analysis (CRA) reports for the last 3 years show volume-variable and product-specific cost-per-piece declining from \$1.569 in FY 2014 to \$1.243 in FY 2016 (a 20.8-percent decrease) for Ground.
- a. Please explain why attributable cost-per-piece decreased by over 20 percent in the last 2 years for Ground.
 - b. Please explain why all other competitive products' attributable cost-per-piece (except International) increased while Ground decreased.

RESPONSE:

a. The row Total Ground in the public CRA consists of several products with disparate characteristics, including but not limited to the prevalence of mailer worksharing (e.g., levels of presortation or dropshipping), if any, within each product. Since FY 2014, the amount of mailer worksharing, dropshipping in particular, within Total Ground has increased significantly and has resulted in lower unit costs, especially in the mail processing and transportation categories.

b. The domestic competitive products offered represent a variety of needs for customers. This variety of offerings results in marked differences in how these products are accepted, processed, transported, and delivered, and these differences cause differences in costs. Hence, there is not an inherent reason for the unit costs for the domestic competitive rows in the public CRA to move in concert. For example, the other domestic competitive products listed in the public CRA do not offer workshare discounts as do the products in Total Ground. Consequently, a similar shift that occurred in Total Ground to more workshared mail is extremely unlikely to have happened in the other domestic competitive products because the incentive to do so does not exist for those products. In sum, because of the disparate characteristics of

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the domestic competitive products, comparisons of trends in unit costs between them are not necessarily meaningful.

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4. The Postal Service's November 15, 2016 press release, "U.S. Postal Service Reports Fiscal Year 2016 Results," states "[o]perating expenses increased in 2016 compared to [2015]. In addition to a \$922 million increase in workers' compensation expense, compensation and benefits expenses increased by approximately \$1.2 billion and transportation costs increased by \$413 million. The growth in labor and transportation costs is largely due to the increase in Shipping and Packages volumes, which are more labor-intensive to process and require greater transportation capacity than mail."
- a. Of the \$413 million cost increase in transportation, what amount is traceable to Shipping and Packages volume?
 - b. Of the \$1.2 billion in compensation and benefits expense increases, what amount is traceable to Shipping and Packages volume?
 - c. The FY 2016 Form 10-K filed by the Postal Service indicates that in FY 2016, the Postal Service employed 509,000 career employees and 640,000 total employees, which is an increase in the corresponding figures from the FY 2015 Form 10-K of 492,000 career employees and 622,000 total employees.⁵
 - i. Is the 18,000-employee increase in headcount "largely due to the increase in Shipping and Packages volumes?"
 - ii. Of the 18,000-employee increase, what amount is traceable to Shipping and Packages volumes?

RESPONSE:

a. The cost segment 14 accrued costs rose by \$413 million between FY 2015 and FY 2016. The corresponding increase in volume variable and product specific costs for domestic competitive products was \$328 million.

b. Our best estimate is that the competitive products labor costs rose by approximately \$350 million between FY 2015 and FY 2016, going from \$5.8 billion in FY2015 to \$6.2 billion in FY2016.

⁵ Postal Service FY 2016 Form 10-K Statement, November 15, 2016, at 4, 22; Postal Service FY 2015 Form 10-K Statement, November 13, 2015, at 4, 20.

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c. i.-ii. There are no data to directly relate total staff headcount to individual products. The 10-K at page 21 also points out that the growth in delivery points is an additional workload driver.

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5. The Postal Service's November 15, 2016 press release, "U.S. Postal Service Reports Fiscal Year 2016 Results," states "[t]o drive growth in revenue and better serve [its] customers, [the Postal Service] continue[s] to invest in [its future] by leveraging technology, improving processes and adjusting our network." It further states that "[i]n 2016, [the Postal Service] invested \$1.4 billion, an increase of \$206 million over 2015, to fund some of our much-needed building improvements, vehicles, equipment and other capital projects."
- a. How much of the \$1.4 billion investment mentioned was spent on the new Next Generation Delivery Vehicle (NGDV)?
 - b. How many vehicles were purchased?
 - c. Please refer to Library Reference USPS-FY16-2, December 29, 2016.
 - i. Please confirm that 69.5 percent of the costs are institutional.
 - ii. Please confirm that only 5.2 percent of the costs in this segment were attributed to domestic competitive products. If not confirmed, please clarify.
 - iii. Please indicate whether the depreciation costs for NGDVs purchased in or prior to FY 2016 are separately accounted for in the public library references in this docket and, if so, where. Please also indicate how the method for attributing depreciation costs for NGDVs differs from that of the older vehicle fleet.

RESPONSE:

a-b. None of the \$1.4 billion investment was spent on NGDV. The NGDV work underway is to develop prototypes, to enable future procurements. A description of vehicle purchases for FY2016 is provided in the Postal Service's Annual Report and Comprehensive Statement (USPS-FY16-17) at page 52.

c. i. It is confirmed that 69.5 percent of the accrued costs in cost segment 20.2 are treated as institutional.

c. ii. It is confirmed that 5.2 percent of the accrued costs in cost segment 20.2 are assigned to domestic competitive products.

c. iii. As noted above, there have been no purchases of NGDVs, so there is no depreciation for such vehicles in FY 2016.

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6. Please refer to Library Reference USPS-FY16-2.
- a. Please specify the purpose of City Delivery Special Purpose Routes and explain what distinguishes these routes from other routes.
 - b. Please describe in detail the costs that appear in this cost segment. Further, please describe the basis for attribution of this segment, including any other cost components or cost pools on which these costs are "piggybacked."
 - c. Please confirm that 58 percent of the costs of City Delivery Special Purpose Routes are classified as institutional.
 - d. Please confirm that 25.8 percent of the total costs in this segment are attributed to competitive products. If not confirmed, please clarify.

RESPONSE:

a. City delivery costs can be disaggregated into two types of routes: letter and special purpose. Letter routes service virtually all delivery points daily, except Sundays, and encompass over ninety-five percent of accrued street costs. Each letter route performs delivery and collection activities daily over a fixed set of delivery points. Special Purpose Routes are generally located in dense urban areas and perform three primary activities: 1) deliver parcels and accountable mail, 2) collect mail from street letter boxes and other collection points, and 3) support city letter foot routes by placing mail to be delivered on the route in green relay boxes for retrieval by the letter route carrier. In contrast to letter routes, city carriers on special purpose routes do not have a fixed route and their activities often vary, to a certain degree, on a daily basis. For example, carriers clocked to a combination route may deliver parcels all day on one day, but spend three or four hours performing relay activities or collecting mail from large firms on another day.

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b. As noted above, special purpose routes are a subset of city carrier costs. The attached workbook entitled **ChIR.No11.Q6b.Resp.xlsx** includes a table that contains the cost sub-segment, cost component number, cost component name, brief description, accrued costs, volume variable costs, product specific costs, domestic competitive costs, and institutional costs for the components that contain direct labor special purpose route components and the components which are directly "piggybacked" to those direct costs. The costs of special purpose routes are not piggybacked on other costs. To the contrary, other costs are piggybacked on the special purpose route costs. The other components that affect city carrier costs are piggybacked on the aggregate of letter route and special purpose route costs (SPR costs less than five percent of total city carrier costs). Those components can be found in USPS-FY16-24, tab CityCarriers.

c. It is confirmed that 58 percent of special purpose route street labor costs are classified as institutional. Under the assumption that the question is also asking about the piggybacked components (543, 549, or 223), it is confirmed that 58 percent of those accrued costs are also treated as institutional. The accompanying table has all of the relevant costs for the components that contain direct special purpose route costs as well as for those components that directly piggyback to those costs.

d. Assuming that the question is referring to the special purpose route portion of city carrier street labor costs, it is confirmed that 25.8 percent of special purpose route street costs are assigned to domestic competitive products. Assuming that the question is also asking about the piggybacked components (543, 549, or 223), it is confirmed that 25.8 percent of those accrued costs are also assigned to domestic competitive

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products. The accompanying table has all of the relevant costs for the components that contain direct special purpose route costs as well as for the components that directly piggyback to those costs.

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7. Please refer to Library Reference USPS-FY16-2.
 - a. Please identify what activities constitute Delivery Support activities.
 - b. Please confirm that 63 percent of these costs are institutional. If not confirmed, please clarify.

RESPONSE:

a. On both letter and special purpose routes, delivery support includes activities that support street delivery such as traveling to and from routes and relays. Relays include those costs from special purpose routes used to support city letter foot routes.

b. Confirmed. The established treatment of delivery support costs is that they are considered to vary with volume to the same degree as their respective (letter route and special purpose route) street time costs.

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8. Please refer to Library Reference USPS-FY16-2.
- a. Please identify what activities constitute In-Office Support activities.
 - b. Please confirm that 34.5 percent of these costs are institutional. If not confirmed, please clarify.

RESPONSE:

a. In-office support costs are assigned to one of two distinct categories, "overhead" or "other." The activities associated with each support category include moving empty equipment, personal time, checking vehicles, loading vehicles, and training. The distinction between the two support categories is that "overhead" costs are those that cannot be assigned to a route type whereas "other" costs are those that can be assigned to a specific route type. In-office support costs (component 837) are the sum of the "overhead" and "other" support costs.

b. Confirmed. As stated in the response to part a., in-office support costs are the sum of "overhead" and "other" support costs. The established treatment of "overhead" costs is that they are considered to vary with volume to the same degree as in-office direct labor costs (93.2 percent). The established treatment for "other" support costs is that they are considered to vary with volume to the same degree as the sum of costs in cost sub-segments 6.1 In-Office Direct Labor, 7.1 Network Travel, and 7.2 Delivery Activities (47.0 percent). After summing the "overhead" and "other" costs, the resulting portion of in-office support costs that are institutional is approximately 34.5 percent.

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9. Please *compare* Library Reference USPS-FY16-2 *and* Docket No. ACR2015, Library Reference USPS-FY15-2, December 29, 2015.
- a. Please explain why C/A 10 Rural Carrier costs saw a 15.66-percent increase over the same period last year compared to a 3.26-percent increase for C/S 7 City Delivery Carriers – Street Activity.
 - b. Please explain why C/S 7 City Delivery Carriers – Street Activity in FY 2016 saw a 17.27-percent increase for First-Class Mail parcels and only a 3.26-percent increase for competitive products combined.
 - c. Please explain why C/S 10 Rural Carriers in FY 2016 saw a 37.72-percent increase for First-Class Mail parcels and only a 15.66-percent increase for competitive products combined.

RESPONSE:

a. Under the assumption that the question is inquiring about cost changes to domestic competitive products, the percentage increases referenced in the question are correct. Three reasons primarily explain the larger percentage increases in costs for domestic competitive products on rural routes as compared to city routes. One, rural carrier wages increased by 0.6 percent and city carrier wages *decreased* by 1.0 percent in FY 2016 compared to FY 2015. Two, the different contractual methods used to compensate city and rural carriers results in rural carrier costs rising faster for products with increasing volume. Most rural carriers are compensated based on a set of evaluation factors that assign a fixed time per unit (e.g., 30 seconds per parcel delivered, and 18 seconds per delivery scan). Thus, economies of scale do not apply to rural carrier costs because the marginal cost per piece does not decline with additional volume. City carriers are compensated based on actual hours worked, so it is likely that city carrier costs did not rise as fast due to productivity gains from delivering additional volume. Three, domestic competitive volume on rural routes increased at a faster rate than the corresponding volume on city routes. In FY 2016, domestic competitive

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volume rose 15.9 percent on rural routes compared to 12.9 percent on city routes. In addition, rural carriers are compensated 18 seconds per delivery scan, and the proportion of domestic competitive pieces scanned increased by 17.3 percent on rural routes from FY 2015 to FY 2016.

b. The disparity in the percentage increases in city carrier costs between First-Class Parcels and domestic competitive products is explained by the difference in the respective volumes delivered on city letter routes in FY 2016 compared to FY 2015. On city letter routes, First-Class Parcel volume increased 31.5 percent and the corresponding domestic competitive volume increased by 12.9 percent. These relative increases are consistent with the percent changes in Revenue Pieces and Weight (RPW) volume for these categories, which are 26.9 and 15.3 percent for First-Class Parcels and domestic competitive products respectively.

c. Similar to the response to part b., the disparity in the percentage increases in rural carrier costs between First-Class Parcels and domestic competitive products is explained by the difference in the respective volumes delivered on rural routes in FY 2016 compared to FY 2015. On rural routes, First-Class Parcel volume increased 39.0 percent and the corresponding domestic competitive volume increased by 15.9 percent. This is consistent with the corresponding changes in RPW volumes for First-Class Parcels and domestic competitive products.

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- 10.** Please refer to Library Reference USPS-FY16-39, December 29, 2016.
- a. Please confirm that these materials indicate that, for FY 2016, the Postal Service paid only the required institutional cost contribution of 5.5 percent. If not confirmed, please explain and demonstrate how the Postal Service accounts for the institutional cost contribution.
 - b. Please explain and demonstrate how the Postal Service accounts for the Assumed Federal Income Tax.

RESPONSE:

a.-b. Not confirmed. To begin, as explained on page 3 of Order No. 2329 (Docket No. PI2013-1, January 23, 2015), all revenue from all products starts in the Postal Service Fund. So, looking at PRC Form CP-01 in USPS-FY16-C9, all of the FY 2016 Net Income Before Institutional Cost Contribution in row 8 of \$5.999 billion likewise starts in the Postal Service Fund. Obviously, as suggested by the question, the \$2.000 billion of Required Institutional Cost Contribution in row 9 (representing the 5.5 percent) stays in the Postal Service Fund. But the \$1.400 billion of Assumed Federal Income Tax is also "paid" to the Postal Service Fund. Please refer to the second paragraph of page 1 (Background) in the Competitive Products Fund Report for Fiscal Year Ending September 30, 2016, submitted to the Treasury Department and attached to the front of USPS-FY16-39.

In Fiscal Year 2016, the Competitive Products Fund generated pretax earnings of \$3.999 billion, which produced a tax obligation of \$1.400 billion. As required by law, the United States Postal Service (USPS) will transfer the tax obligation from the CPF to the Postal Service General Fund no later than January 17, 2017.

That leaves the \$2.599 billion of Net Income After Taxes in row 12. But the treatment of that can be ascertained by considering the comparable row 12 amount for FY2015 of \$1.729 billion. Please refer to the penultimate paragraph of page 4 (Results of

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Operations) in the Competitive Products Fund Report for Fiscal Year Ending September 30, 2016, submitted to the Treasury Department. As noted in the first two sentences of that paragraph:

In FY2016, the Postal Service transferred \$1.729 billion from the Competitive Products Fund to the Postal Service Fund. This transfer represented a prepayment of current and future year's institutional costs.

In similar fashion, the \$2.599 billion in row 12 for FY 2016 has in FY 2017 likewise already been transferred as a prepayment. (Whether one accepts the Postal Service's characterization of this transfer as a prepayment of future year's institutional costs, or alternatively favors the Commission's apparent view, based on pages 5-6 of Order No. 2329, that the transfer is better thought of as a voluntary payment in excess of the minimum 5.5 percent requirement, the tangible effect is the same.) In practical terms, therefore, the entire FY 2016 amount of Net Income from Competitive Products of \$5.999 has been "paid," not merely the \$2.000 billion of required contribution.

To demonstrate the operation of this process, the relevant accounting entries for the last two years are presented below.

In January of 2016:

January 6, 2016: transferred \$2,659,555,000 from PSF to CPF representing Net Income before Tax (from 2015)

January 7, 2016: transferred \$930,844,000 from CPF to PSF representing Assumed Federal Income Tax payment

January 8, 2016: transferred \$1,728,711,000 from CPF to PSF representing Prepayment of current and future years Institutional Costs

In January 2017

January 9, 2017: transferred \$3,998,857,000 from PSF to CPF representing Net Income Before Tax (from 2016)

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January 10, 2017: transferred \$1,399,600,000 from CPF to PSF representing Assumed Federal Income Tax payment

January 11, 2017: transferred \$2,599,257,000 from CPF to PSF representing Prepayment of current and future years Institutional Costs

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11. Please refer to page 61 of the FY 2016 ACR and Library Reference USPS-FY16-43, December 29, 2016, Excel file "IC2016Public.ICSUMMARYRpt.xls."
- a. Please confirm that cell J49 of Excel file "IC2016Public.ICSUMMARYRpt.xls" reflects that the cost coverage for the Special Services product Money Orders is 91 percent.
 - b. Please confirm that page 61 of the FY 2016 ACR states that the cost coverage for the Special Services product Money Orders is 133.99 percent.
 - c. If confirmed for both, please explain the difference.

RESPONSE:

a. Confirmed that the referenced cell shows that the incremental cost coverage is 91 percent.

b. Confirmed that page 61 of the ACR shows that the volume variable and product specific fixed cost coverage is 133.99 percent.

c. Page 61 of the ACR is reporting the cost coverage using volume variable plus product specific costs. The IC2016Public.ICSummaryRpt.xls in USPS-FY16-43 is reporting the cost coverage using incremental cost. The incremental cost for Money Orders is \$171,686, compared to \$116,707 in volume variable plus product specific cost. Most of the difference is coming from the Money Orders cost pool in Cost Segment 3.2 Window Service. This cost pool is shown in USPS-FY16-43, workbook CostPools2016.xls, tab Window Cost Pools, column I. The Money Orders cost pool has a volume variable cost of \$77,074, all in Money Orders, and an accrued cost of \$119,015. Incremental cost equals accrued cost for this cost pool, thus adding \$41,941 in inframarginal cost to Money Orders. This follows the established methodology based on pages 20-23 of Professor Bradley's (USPS-T-22) testimony from Docket No. R2000-

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1. for the treatment of cost pools that have a variability less than 100 percent but only involve one product (Cost Pool Type 4).

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12. Please refer to the table below created using the public CRA and Revenue, Pieces, and Weight (RPW) report from Library References USPS-FY16-1 and USPS-FY16-42, both filed December 29, 2016.

	CRA		RPW		Difference	
	Revenue (\$Millions)	Volume (Thousands)	Revenue (\$Millions)	Volume (Thousands)	Revenue	Volume
Market Dominant Special Services						
Address Management Services	\$ 16.7				\$ 16.73	-
Caller Service	\$ 94.4				\$ 94.35	-
Credit Card Authentication (note 4)	\$ 16.9				\$ 16.94	-
Customized Postage	\$ 0.0				\$ 0.01	-
Money Orders	\$ 156.4	90,289	\$ 153.1	90,289	\$ 3.27	0
Post Office Box Service	\$ 284.0		\$ 284.0	5,911	\$ 0.00	(5,911)
Stamp Fulfillment Services	\$ 3.7				\$ 3.71	-
Other Domestic Special Services			\$ 111.1	3,049	\$ (111.10)	(3,049)
Other International Special Services			\$ 0.008	81	\$ (0.01)	(81)
Total Ancillary Services	\$ 1,238.3	4,719,991	\$ 1,238.3	4,719,991	\$ (0.00)	-
Total Domestic Special Services	\$ 1,810.3	\$ 4,810,280	\$ 1,786.4	\$ 4,819,321	\$ 23.92	(9,041)

Where possible, please provide the missing volumes and revenues and explain each of the differences shown in the table, with a focus on reconciling the total domestic Special Services values from the CRA and RPW report.

RESPONSE:

The rows of the table above have been rearranged in the table below to assist with the response. The rearranged table illustrates that the revenue for Other Domestic Special Services in the RPW column is the sum of the revenue for Address Management Services, Caller Service, and Customized Postage in the CRA.

The volume reported by RPW for Other Domestic Special Services and Post Office Box Service is the number of Address Management Service transaction fees and the number of Post Office Boxes rented respectively and not reported in the CRA.

Revenue reported in the CRA for Credit Card Authentication and Stamp

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Fulfillment Services are from the relevant cost models in USPS-FY16-28 and not reported separately in RPW.

The CRA also makes two adjustments to revenue for Money Orders. First, revenues of \$3.63 M as reported in USPS-FY16-28 were added for Domestic Money Order Float. Second, revenues of \$0.36 M for International Outstanding Money Orders Taken into Revenue were subtracted from Domestic Money Orders and added to International.

Finally, the revenue and volume reported by RPW for Other International Special Services is included as part of the revenue and volume reported in the CRA row entitled Total International Ancillary Services.

	CRA		RPW		Difference	
	Revenue (\$Millions)	Volume (Thousands)	Revenue (\$Millions)	Volume (Thousands)	Revenue	Volume
Market Dominant Services						
Address Management Services	\$ 16.73				\$ 16.73	-
Caller Service	\$ 94.35				\$ 94.35	-
Customized Postage	\$ 0.01				\$ 0.01	-
Other Domestic Special Services	\$ 111.09	-	\$ 111.09	3,049	-	(3,049)
Credit Card Authentication	\$ 16.94				\$ 16.94	-
Stamp Fulfillment Services	\$ 3.71				\$ 3.71	-
Money Orders	\$ 156.37	90,289	\$ 153.10	90,289	\$ 3.27	-
Post Office Box Service	\$ 283.97		\$ 283.97	5,911	-	(5,911)
Other International Special Services			\$ 0.00	81	\$ (0.00)	(81)
Total Domestic Ancillary Services	\$ 1,238.26	4,719,991	\$1,238.26	4,719,991	-	-
Total Domestic Special Services	\$ 1,810.34	4,810,280	\$1,786.42	4,819,322	\$ 23.92	(9,041)