

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

POSTAL RATE AND FEE CHANGES  
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 4  
(May 24, 2005)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request No. 4, issued May 10, 2005. The response to Question 7(b) is being provided by two witnesses, witness Shaw and witness Smith, and has thus been separated into two parts.

Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
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RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE TO  
POIR NO. 4, QUESTION 1

1. Please confirm that in FY 2004 there was no volume in any weight increment for the rate category Parcel Post DBMC zone 5. If confirmed, please discuss what factors lead to the disappearance of this volume.

**RESPONSE:**

Not confirmed. The PERMIT system reported approximately 39,000 DBMC Zone 5 pieces in FY 2004, so there was at least some volume that year. However, the Parcel Post weight distribution study, which is used to distribute destination-entered pieces to rate cells, did not detect a statistically significant level of Zone 5 pieces. Therefore, when this study was used to distribute overall volume to the weight/zone cell, there appears to be no volume in Zone 5. To the extent that some actual Zone 5 volume is effectively distributed to other zones by using this weight distribution study, the revenue impact is accounted for in the Revenue Adjustment Factor. Due to the apparent low volume affected (by virtue of the low 39,000 figure from PERMIT), this distribution method does not significantly affect Parcel Post rate design or revenue calculation.

RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE TO  
POIR NO. 4, QUESTION 2

2. In past cases, an adjustment was made to Parcel Post revenue for OMAS mail. In this case no adjustment was made. Please explain the rationale for not making an OMAS adjustment.

**RESPONSE:**

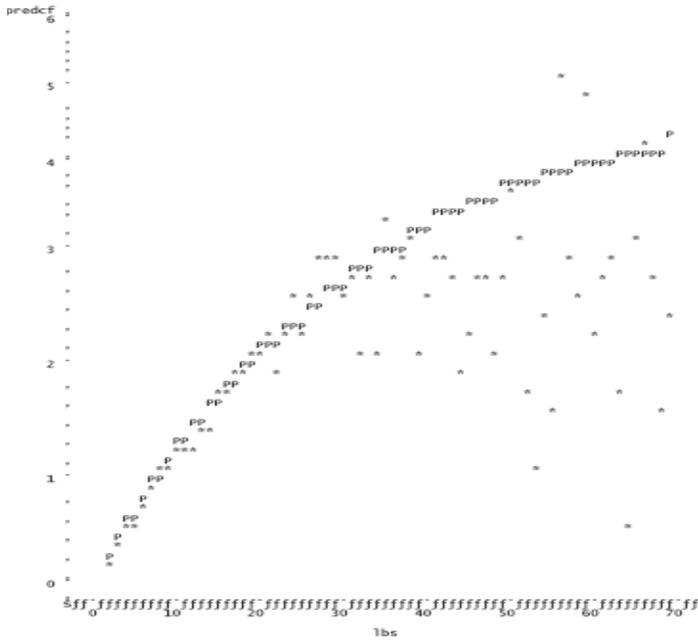
In past cases, we have reported OMAS mail revenue as a separate data component in the RPW. However, no separate line item for OMAS mail has been reported in the RPW since FY 2003. Data regarding OMAS have been merged with Intra and Inter BMC mail through the PERMIT system and Postal One.

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POIR NO. 4, QUESTION 3(a)

3. The charts below depict the cube-weight relationship for Parcel Select DBMC mail, which is also used as a proxy for DSCF and DDU mail, as developed by the Postal Service for dockets R2001-1 and R2005-1.

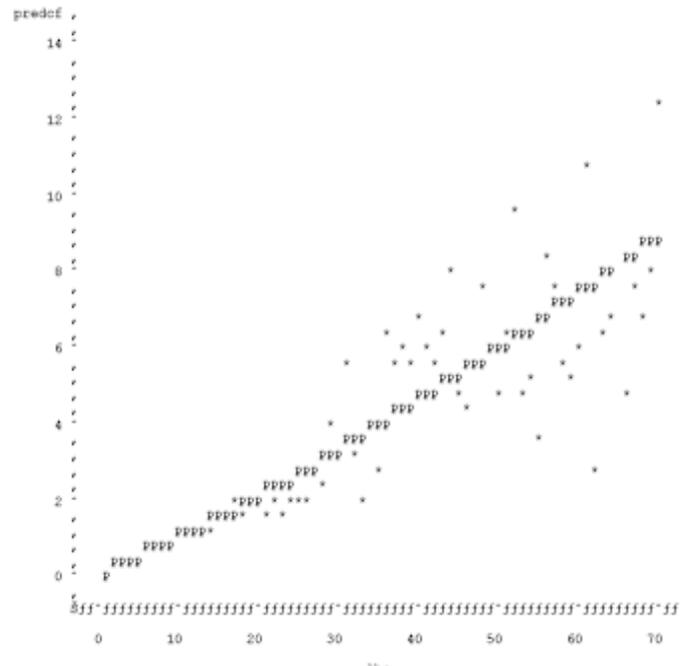
(a) Please explain the underlying cause of the change in slope between the two dockets (i.e. changes in weight, mail characteristics, etc.).

R2001-1



USPS-LR-J-66; p. 38

R2005-1



USPS-LR-K-90; p. 35

**RESPONSE:**

(a) The apparent change in the nature of the cube-weight relationship for Parcel Select Parcel Post (DBMC, DSCF and DDU collectively) was not present in FY 2002 or FY 2003. An examination of the FY 2002, FY 2003 and FY 2004 data, all derived from the same data source as described in USPS-LR-K-47, reveals that FY 2004 is the first year in which there appears to be a shift in the relationship, the cause of which is not known. As can be seen in the attached chart providing a comparison of the cumulative shares of volume by weight increment for the most recent three years, in all three years, virtually 100 percent of the volume was under 28 pounds, with 90-91 percent of the

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POIR NO. 4, QUESTION 3(a)

volume in the increments at or below 8 pounds, and 59 percent of the volume at or under 3 pounds. There is no evidence that the weight distribution had changed over the span of these three years.

The average cubic feet per piece was 0.465 in FY 2002, 0.444 in FY 2003 and 0.45 in FY 2004. These figures are not remarkably different from each other, and given the similarity in the distributions of volume by weight increment, provide no indication of a noticeable shift in the average cube or average weight. The line graphs of the average cubic feet by weight increment for the three years demonstrate that in FY 2002 and FY 2003, there is a particularly linear element for the first 35-40 pounds, with a few outliers, after which the charts demonstrate a tapering curve. The line graph of the same data for FY 2004 is visually different: the clearly linear segment only extends to about 28 pounds, after which the data points exhibit no clear distribution, certainly not exhibiting the clean tapering curve apparent in the FY 2002 and FY 2003 charts. A visual examination of the average cube per piece at each weight increment reveals nothing pointing to a clear-cut reason for the change.

Given that the cube/weight relationship for Parcel Select seems to have changed in FY 2004, but with no apparent explanation, it is the intent of the Postal Service to continue to monitor the situation. At this point, there is insufficient evidence to suggest that the change will persist or whether it was the short-term result of particular customers using the Parcel Select products to ship particular types of merchandise. An unspecified change in the customers using the Parcel Select products or an unspecified change in the market for shipment of goods may have resulted in the apparent shift in

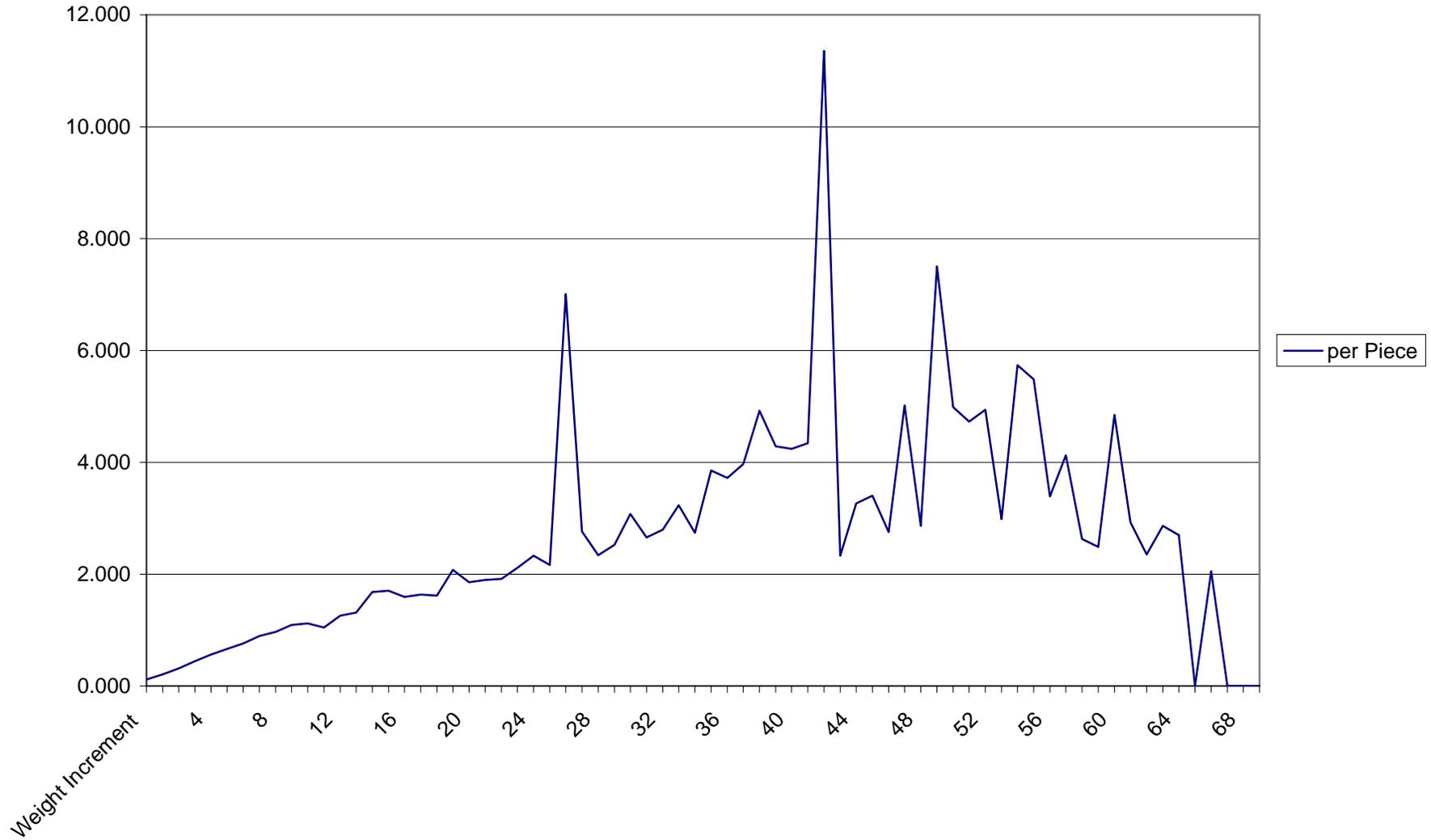
RESPONSE OF POSTAL SERVICE WITNESS MAYES TO  
POIR NO. 4, QUESTION 3(a)

the cube-weight relationship. Whether those customers or those market conditions persist into the future is as yet unknown.

Parcel Select  
FY 2002

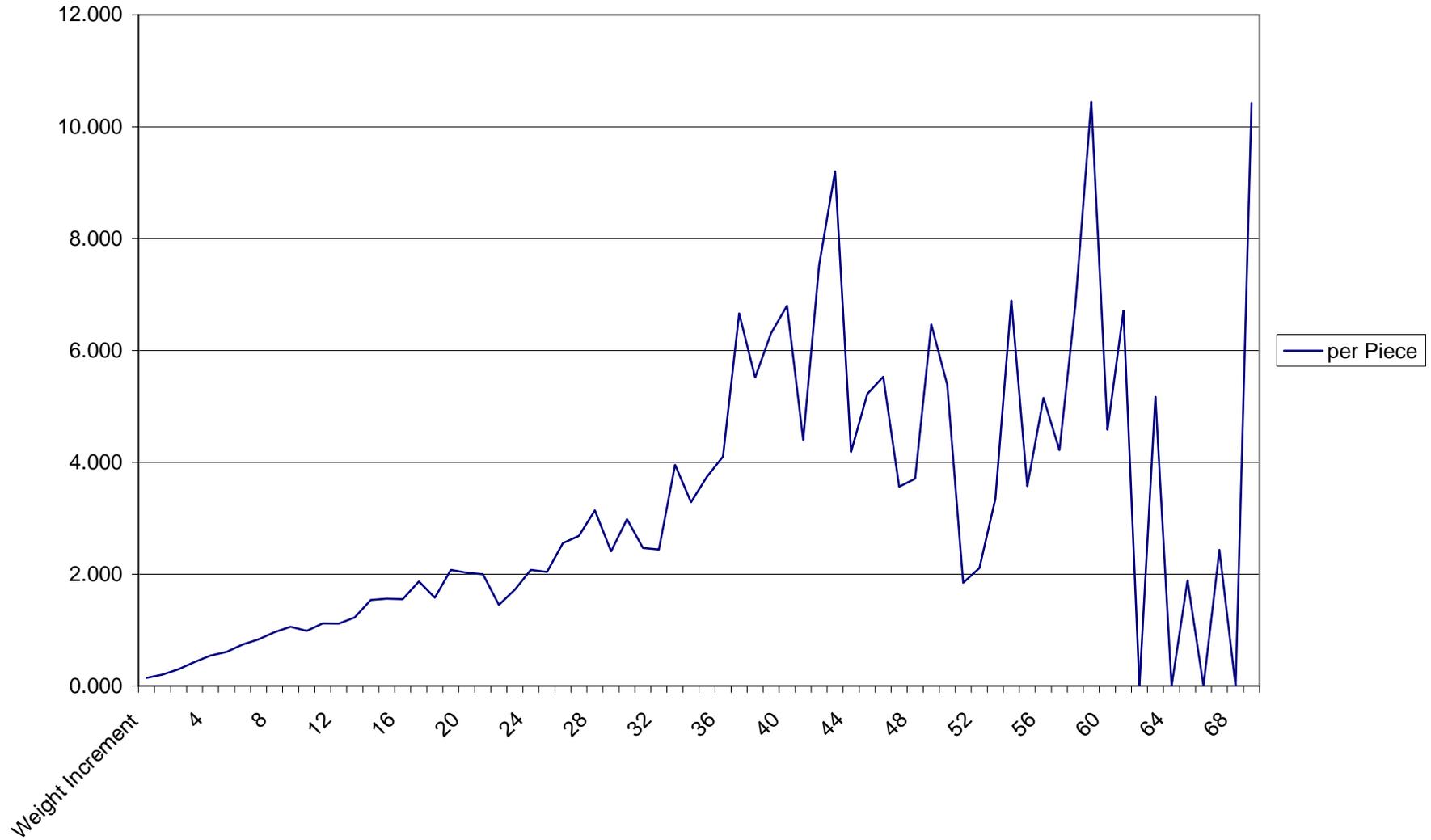
<u>Weight Increment</u>	<u>Total Pieces</u>	<u>Total Cubic Feet</u>	<u>Average Cubic Feet per Piece</u>	<u>Percent of Total Volume</u>
1	16,375,088	1,898,696	0.116	6%
2	77,177,227	16,157,165	0.209	30%
3	59,604,396	18,535,034	0.311	23%
4	32,602,716	14,479,935	0.444	12%
5	20,225,305	11,390,556	0.563	8%
6	13,812,020	9,182,650	0.665	5%
7	9,571,466	7,269,600	0.760	4%
8	6,682,853	5,974,686	0.894	3%
9	4,836,328	4,664,199	0.964	2%
10	4,228,201	4,621,273	1.093	2%
11	2,922,345	3,274,735	1.121	1%
12	2,039,779	2,129,998	1.044	1%
13	1,791,053	2,249,164	1.256	1%
14	1,117,300	1,466,962	1.313	0%
15	1,165,166	1,955,379	1.678	0%
16	938,295	1,597,763	1.703	0%
17	799,154	1,271,030	1.590	0%
18	854,080	1,394,324	1.633	0%
19	650,443	1,050,368	1.615	0%
20	442,928	920,169	2.077	0%
21	556,063	1,030,500	1.853	0%
22	420,310	796,297	1.895	0%
23	333,899	639,143	1.914	0%
24	361,765	764,880	2.114	0%
25	187,169	436,224	2.331	0%
26	265,024	573,351	2.163	0%
27	174,053	1,219,370	7.006	0%
28	127,770	352,995	2.763	0%
29	140,249	327,979	2.339	0%
30	122,323	308,635	2.523	0%
31	103,182	317,460	3.077	0%
32	100,717	267,389	2.655	0%
33	110,395	308,629	2.796	0%
34	78,183	252,663	3.232	0%
35	45,519	124,762	2.741	0%
36	51,138	196,987	3.852	0%
37	27,356	101,794	3.721	0%
38	35,359	140,286	3.967	0%
39	46,890	230,768	4.921	0%
40	44,786	191,868	4.284	0%
41	43,702	185,332	4.241	0%
42	29,609	128,566	4.342	0%
43	44,998	510,999	11.356	0%
44	36,526	84,992	2.327	0%
45	34,321	111,983	3.263	0%
46	14,068	47,884	3.404	0%
47	19,413	53,468	2.754	0%
48	17,976	90,211	5.018	0%
49	8,344	23,892	2.863	0%
50	9,580	71,859	7.501	0%
51	15,581	77,657	4.984	0%
52	6,247	29,539	4.729	0%
53	9,149	45,190	4.939	0%
54	6,242	18,609	2.981	0%
55	5,162	29,597	5.734	0%
56	1,264	6,931	5.483	0%
57	3,804	12,885	3.387	0%
58	2,263	9,338	4.126	0%
59	1,050	2,761	2.630	0%
60	5,025	12,497	2.487	0%
61	3,538	17,148	4.847	0%
62	3,289	9,621	2.925	0%
63	3,578	8,421	2.354	0%
64	1,690	4,838	2.863	0%
65	786	2,121	2.698	0%
66	0	0	#DIV/0!	0%
67	124	254	2.048	0%
68	0	0	#DIV/0!	0%
69	0	0	#DIV/0!	0%
70	0	0	#DIV/0!	0%
Total	261,495,622	121,662,259	0.465	

FY 2002 Parcel Select  
Average cubic feet per piece



<u>Weight Increment</u>	<u>Total Pieces</u>	<u>Total Cubic Feet</u>	<u>Average Cubic Feet per Piece</u>	<u>Percent of Total Volume</u>
1	13,688,801	1,945,922	0.142	4.86%
2	86,717,969	17,618,867	0.203	30.82%
3	64,226,784	19,121,118	0.298	22.82%
4	35,627,971	15,332,694	0.430	12.66%
5	21,621,209	11,696,223	0.541	7.68%
6	15,566,119	9,431,431	0.606	5.53%
7	10,054,470	7,441,461	0.740	3.57%
8	7,311,601	6,078,921	0.831	2.60%
9	4,846,047	4,665,537	0.963	1.72%
10	4,568,716	4,844,697	1.060	1.62%
11	3,344,402	3,291,056	0.984	1.19%
12	2,109,323	2,361,353	1.119	0.75%
13	1,894,302	2,112,250	1.115	0.67%
14	1,202,047	1,469,360	1.222	0.43%
15	1,326,006	2,035,846	1.535	0.47%
16	1,021,807	1,594,598	1.561	0.36%
17	836,617	1,298,067	1.552	0.30%
18	613,646	1,146,537	1.868	0.22%
19	595,409	938,703	1.577	0.21%
20	471,888	980,057	2.077	0.17%
21	553,693	1,121,265	2.025	0.20%
22	409,130	816,459	1.996	0.15%
23	429,946	624,126	1.452	0.15%
24	461,445	795,164	1.723	0.16%
25	227,559	472,497	2.076	0.08%
26	219,892	447,994	2.037	0.08%
27	204,043	521,384	2.555	0.07%
28	137,246	368,606	2.686	0.05%
29	152,586	478,821	3.138	0.05%
30	104,851	252,624	2.409	0.04%
31	54,328	162,032	2.982	0.02%
32	106,383	262,329	2.466	0.04%
33	114,970	280,446	2.439	0.04%
34	59,681	235,952	3.954	0.02%
35	49,675	163,284	3.287	0.02%
36	28,127	105,260	3.742	0.01%
37	37,474	153,621	4.099	0.01%
38	52,675	350,907	6.662	0.02%
39	50,526	278,508	5.512	0.02%
40	36,163	228,123	6.308	0.01%
41	28,826	195,959	6.798	0.01%
42	35,010	154,124	4.402	0.01%
43	26,723	201,168	7.528	0.01%
44	15,215	140,006	9.202	0.01%
45	21,238	88,872	4.185	0.01%
46	22,284	116,286	5.218	0.01%
47	31,801	175,736	5.526	0.01%
48	20,834	74,185	3.561	0.01%
49	5,728	21,229	3.706	0.00%
50	4,112	26,574	6.463	0.00%
51	9,391	50,577	5.386	0.00%
52	10,095	18,637	1.846	0.00%
53	6,638	14,007	2.110	0.00%
54	2,941	9,848	3.349	0.00%
55	1,448	9,977	6.890	0.00%
56	1,601	5,721	3.573	0.00%
57	888	4,572	5.149	0.00%
58	5,158	21,757	4.218	0.00%
59	653	4,448	6.812	0.00%
60	762	7,958	10.444	0.00%
61	7,717	35,343	4.580	0.00%
62	635	4,260	6.709	0.00%
63	0	0	#DIV/0!	0.00%
64	3,162	16,350	5.171	0.00%
65	0	0	#DIV/0!	0.00%
66	3,798	7,174	1.889	0.00%
67	0	0	#DIV/0!	0.00%
68	3,249	7,899	2.431	0.00%
69	0	0	#DIV/0!	0.00%
70	139	1,449	10.424	0.00%
Total	281,405,573	124,938,216	0.444	

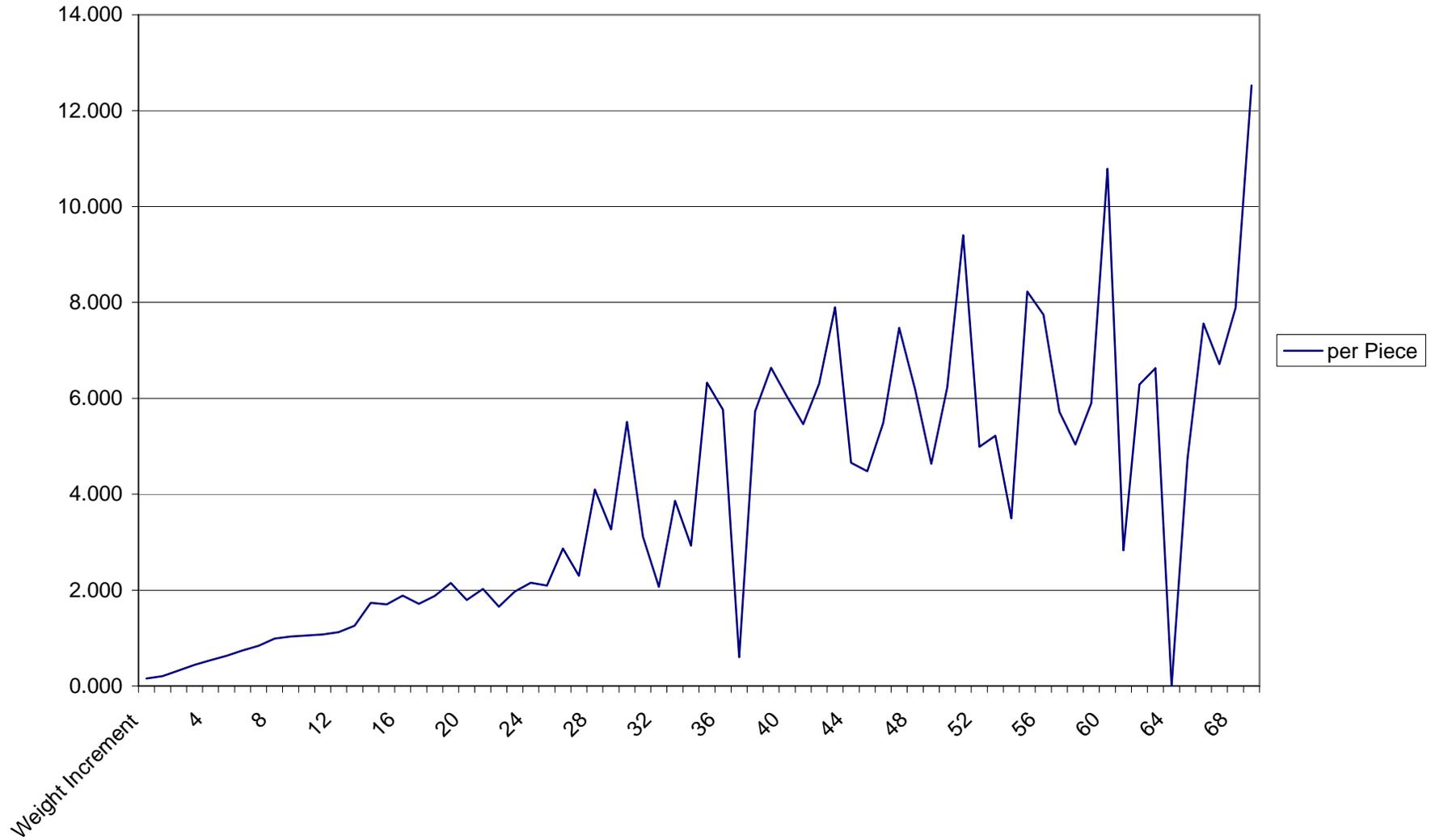
FY 2003 Parcel Select  
Average cubic feet per piece



Parcel Select  
FY 2004

<u>Weight Increment</u>	<u>Total Pieces</u>	<u>Total Cubic Feet</u>	<u>Average Cubic Feet per Piece</u>	<u>Percent of Total Volume</u>
1	12,041,047	1,887,704	0.157	4.63%
2	85,747,873	17,582,197	0.205	33.00%
3	56,436,101	18,119,376	0.321	21.72%
4	32,053,038	14,168,692	0.442	12.33%
5	19,962,906	10,764,456	0.539	7.68%
6	14,224,725	8,937,963	0.628	5.47%
7	9,550,726	7,098,098	0.743	3.68%
8	6,537,123	5,471,790	0.837	2.52%
9	4,104,547	4,048,525	0.986	1.58%
10	3,568,042	3,687,532	1.033	1.37%
11	2,698,234	2,834,428	1.050	1.04%
12	2,055,398	2,212,728	1.077	0.79%
13	1,729,031	1,942,874	1.124	0.67%
14	1,169,383	1,466,489	1.254	0.45%
15	1,132,850	1,962,121	1.732	0.44%
16	917,731	1,562,126	1.702	0.35%
17	773,021	1,457,899	1.886	0.30%
18	605,988	1,037,883	1.713	0.23%
19	654,039	1,229,229	1.879	0.25%
20	463,805	995,835	2.147	0.18%
21	470,321	842,435	1.791	0.18%
22	355,305	720,276	2.027	0.14%
23	389,321	643,390	1.653	0.15%
24	373,064	734,801	1.970	0.14%
25	234,138	504,497	2.155	0.09%
26	222,922	466,318	2.092	0.09%
27	152,936	438,201	2.865	0.06%
28	162,852	374,678	2.301	0.06%
29	130,776	535,663	4.096	0.05%
30	142,452	465,295	3.266	0.05%
31	97,117	535,340	5.512	0.04%
32	78,440	244,300	3.114	0.03%
33	105,135	217,272	2.067	0.04%
34	65,909	254,627	3.863	0.03%
35	47,533	139,000	2.924	0.02%
36	19,788	125,209	6.328	0.01%
37	16,248	93,602	5.761	0.01%
38	180,040	108,341	0.602	0.07%
39	25,904	148,459	5.731	0.01%
40	13,577	90,153	6.640	0.01%
41	7,429	44,848	6.037	0.00%
42	7,180	39,212	5.461	0.00%
43	14,604	92,077	6.305	0.01%
44	10,306	81,399	7.898	0.00%
45	10,980	51,128	4.656	0.00%
46	12,353	55,316	4.478	0.00%
47	20,759	113,960	5.490	0.01%
48	18,348	137,097	7.472	0.01%
49	11,042	68,282	6.184	0.00%
50	4,190	19,429	4.637	0.00%
51	4,898	30,517	6.231	0.00%
52	1,590	14,955	9.406	0.00%
53	2,270	11,329	4.991	0.00%
54	280	1,462	5.221	0.00%
55	2,330	8,146	3.496	0.00%
56	4,045	33,276	8.226	0.00%
57	2,575	19,947	7.746	0.00%
58	1,193	6,824	5.720	0.00%
59	1,395	7,026	5.037	0.00%
60	1,076	6,352	5.903	0.00%
61	1,385	14,940	10.787	0.00%
62	539	1,525	2.829	0.00%
63	1,038	6,529	6.290	0.00%
64	290	1,922	6.628	0.00%
65	0	0	#DIV/0!	0.00%
66	1,025	4,864	4.745	0.00%
67	959	7,250	7.560	0.00%
68	1,233	8,274	6.710	0.00%
69	411	3,243	7.891	0.00%
70	407	5,099	12.528	0.00%
Total	259,855,516	117,046,030	0.450	

FY 2004 Parcel Select  
Average cubic feet per piece



**Parcel Select Cumulative Volume Shares**

<u>Weight Increment</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1	6%	5%	5%
2	36%	36%	38%
3	59%	59%	59%
4	71%	71%	72%
5	79%	79%	79%
6	84%	84%	85%
7	88%	88%	89%
8	90%	91%	91%
9	92%	92%	93%
10	94%	94%	94%
11	95%	95%	95%
12	96%	96%	96%
13	96%	97%	96%
14	97%	97%	97%
15	97%	97%	97%
16	98%	98%	98%
17	98%	98%	98%
18	98%	98%	98%
19	98%	98%	99%
20	99%	99%	99%
21	99%	99%	99%
22	99%	99%	99%
23	99%	99%	99%
24	99%	99%	99%
25	99%	99%	99%
26	99%	99%	99%
27	99%	100%	100%
28	100%	100%	100%
29	100%	100%	100%
30	100%	100%	100%
31	100%	100%	100%
32	100%	100%	100%
33	100%	100%	100%
34	100%	100%	100%
35	100%	100%	100%
36	100%	100%	100%
37	100%	100%	100%
38	100%	100%	100%
39	100%	100%	100%
40	100%	100%	100%
41	100%	100%	100%
42	100%	100%	100%
43	100%	100%	100%
44	100%	100%	100%
45	100%	100%	100%
46	100%	100%	100%
47	100%	100%	100%
48	100%	100%	100%
49	100%	100%	100%
50	100%	100%	100%
51	100%	100%	100%
52	100%	100%	100%
53	100%	100%	100%
54	100%	100%	100%
55	100%	100%	100%
56	100%	100%	100%
57	100%	100%	100%
58	100%	100%	100%
59	100%	100%	100%
60	100%	100%	100%
61	100%	100%	100%
62	100%	100%	100%
63	100%	100%	100%
64	100%	100%	100%
65	100%	100%	100%
66	100%	100%	100%
67	100%	100%	100%
68	100%	100%	100%
69	100%	100%	100%
70	100%	100%	100%

Parcel Select Average Cube per Piece

<u>Weight Increment</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1	0.12	0.14	0.16
2	0.21	0.20	0.21
3	0.31	0.30	0.32
4	0.44	0.43	0.44
5	0.56	0.54	0.54
6	0.66	0.61	0.63
7	0.76	0.74	0.74
8	0.89	0.83	0.84
9	0.96	0.96	0.99
10	1.09	1.06	1.03
11	1.12	0.98	1.05
12	1.04	1.12	1.08
13	1.26	1.12	1.12
14	1.31	1.22	1.25
15	1.68	1.54	1.73
16	1.70	1.56	1.70
17	1.59	1.55	1.89
18	1.63	1.87	1.71
19	1.61	1.58	1.88
20	2.08	2.08	2.15
21	1.85	2.03	1.79
22	1.89	2.00	2.03
23	1.91	1.45	1.65
24	2.11	1.72	1.97
25	2.33	2.08	2.15
26	2.16	2.04	2.09
27	7.01	2.56	2.87
28	2.76	2.69	2.30
29	2.34	3.14	4.10
30	2.52	2.41	3.27
31	3.08	2.98	5.51
32	2.65	2.47	3.11
33	2.80	2.44	2.07
34	3.23	3.95	3.86
35	2.74	3.29	2.92
36	3.85	3.74	6.33
37	3.72	4.10	5.76
38	3.97	6.66	0.60
39	4.92	5.51	5.73
40	4.28	6.31	6.64
41	4.24	6.80	6.04
42	4.34	4.40	5.46
43	11.36	7.53	6.30
44	2.33	9.20	7.90
45	3.26	4.18	4.66
46	3.40	5.22	4.48
47	2.75	5.53	5.49
48	5.02	3.56	7.47
49	2.86	3.71	6.18
50	7.50	6.46	4.64
51	4.98	5.39	6.23
52	4.73	1.85	9.41
53	4.94	2.11	4.99
54	2.98	3.35	5.22
55	5.73	6.89	3.50
56	5.48	3.57	8.23
57	3.39	5.15	7.75
58	4.13	4.22	5.72
59	2.63	6.81	5.04
60	2.49	10.44	5.90
61	4.85	4.58	10.79
62	2.93	6.71	2.83
63	2.35	#DIV/0!	6.29
64	2.86	5.17	6.63
65	2.70	#DIV/0!	#DIV/0!
66	#DIV/0!	1.89	4.75
67	2.05	#DIV/0!	7.56
68	#DIV/0!	2.43	6.71
69	#DIV/0!	#DIV/0!	7.89
70	#DIV/0!	10.42	12.53

RESPONSE OF POSTAL SERVICE WITNESS ROBINSON TO  
POIR NO. 4, QUESTION 3 (b)-(c)

3. The charts below depict the cube-weight relationship for Parcel Select DBMC mail, which is also used as a proxy for DSCF and DDU mail, as developed by the Postal Service for dockets R2001-1 and R2005-1.

- (b) Because the proposed rates are determined by multiplying current rates by 5.4% the underlying cost structure implicitly reflects the cube-weight relationship used in R2001-1. Please discuss the implications of setting rates based on a cube-weight relationship that is clearly different than the actual cube-weight relationship. In particular, discuss the implications on mailers of low-weight parcels, who may be paying a disproportionate share of costs; Postal Service competitors, and overall economic efficiency.
- (c) Please discuss the implications for future rate payers on setting rates that do not reflect the current cube-weight relationship, particularly the possibility of future rate shock for some weight increments of parcel select mail.

**RESPONSE:**

(b) The proposed 5.4 percent across-the-board rate increase is designed to recover the Congressionally-mandated escrow obligation from customers in a fair and equitable manner based on revenue. As discussed in my testimony, with few exceptions, the Postal Service is proposing an approximately 5.4 percent increase in virtually all rates and fees including Parcel Select rates. As witness Potter explained, the Postal Service, in the absence of the escrow requirement, would not be proposing any changes in rates and fees. Therefore, without the escrow requirement, the current (Docket No. R2001-1) Parcel Select rates would not have changed.

In a traditional rate case, rate design is based on assumptions about the allocation of costs and the relationship of rates to the underlying cost and mail piece characteristics such as the cube-weight relationship in Parcel Select. Over time, changes in these relationships may occur; however, these changes, in and of themselves, do not necessarily result in a Postal Service request to change rates and fees. The decision to request rate and fee changes is based on a comprehensive evaluation of the financial circumstances facing the organization including the revenue

RESPONSE OF POSTAL SERVICE WITNESS ROBINSON TO  
POIR NO. 4, QUESTION 3 (b)-(c)

requirement, market conditions, operational requirements, and the potential effect of proposed changes on customers and competitors. In this case, the Postal Service determined it would not propose a change in rates and fees if the escrow requirement did not exist

The across-the-board approach to increasing rates and fees in this docket is both fair and equitable, and results in rates that meet all of the pricing criteria of the Postal Reorganization Act. As noted in the question, one option would have been to propose a lower-than-average rate increase for customers who mail low-weight Parcel Select pieces. If this approach had been used, effectively these customers would have borne less of the escrow burden than customers who mail heavier Parcel Select pieces or those who mail using any other class of mail. Because the escrow requirement does not vary depending on cube-weight relationships, with mail volume, and is not based on the provision of any postal service, it would be unreasonable to propose that any of these bases be used to allocate the escrow-related increase in the revenue requirement. Given the lack of association of the escrow requirement with the provision of postal services, I do not believe that it would be fair and equitable to exempt any subclass or portion of a subclass – either partially or totally – from an equal share in this Congressionally-mandated burden. See response to VP/USPS-T27-5(d) and VP/USPS-T27-6(f)(iii).

As discussed in my testimony (USPS-T-27 at 18-19), appropriate pricing for competitive products does not necessarily require that these product always receive the same price increase as less competitive products. However, in this case, which is driven by a Congressionally-mandated escrow requirement, the across-the-board proposal is

RESPONSE OF POSTAL SERVICE WITNESS ROBINSON TO  
POIR NO. 4, QUESTION 3 (b)-(c)

an indication that the Postal Service has endeavored to propose a rate change that does not unduly harm its competitors.

(c) In proposing any set of rates and fees, the Postal Service considers the effect on customers including the size of the rate change, and any changes in rate relationships. While the observed cube-weight relationship may suggest a direction for Parcel Select rates, this decision should not be made without considering all the circumstances surrounding this relationship. For example, the changes may be driven by transient factors not likely to persist, may reflect a data abnormality, or may actually be indicative of an underlying change in the cube-weight relationship. As described in the response to part a, the change in the Parcel Select cube-weight relationship appears only in the FY 2004 data not in the data for the prior years. Therefore, it is possible the observed change does not reflect a change in the Parcel Select mail characteristics but may only be a temporary, and as of yet unexplained anomaly. Without further study, it is premature to factor this change into the Parcel Select rates.

In a traditional omnibus rate case, all of these factors would be carefully considered and rate design proposed that reflected the results of this analysis. In many cases, both the Postal Service and the Postal Rate Commission have taken conservative approaches to changes in operations or costs to permit an ongoing examination of the relationships that drive rate design. See, for example, the Docket No. R2000-1 treatment of Priority Mail network costs; Docket No. R2000-1, PRC Op. at 311. I would expect that the Commission would continue to take a considered approach

RESPONSE OF POSTAL SERVICE WITNESS ROBINSON TO  
POIR NO. 4, QUESTION 3 (b)-(c)

to changes in rate design if it appears that the change in the Parcel Select cube-weight relationship will persist.

RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE TO  
POIR NO. 4, QUESTION 4

4. In October 2003, the experimental Parcel Return Service (PRS) began. This service allows shippers to retrieve customer return mail from an identified BMC or DDU. With regard to this service:

- (a) Has a separate cube-weight relationship been developed for PRS mail? If not, which Parcel Post category best reflects the cube-weight relationship of PRS mail? Please discuss.
- (b) Are separate transportation costs developed for PRS mail? If not, why not?
- (c) Has the unit cost of PRS mail been modeled? If not, why not?
- (d) Please explain why the TYBR volume estimate in USPS-T-28 B Spreadsheets for PRS mail does not include any parcels subject to either the oversize rate or the balloon rate.

**RESPONSE:**

(a) No separate cube-weight relationship has been developed for the experimental PRS. The Parcel Select category best reflects the cube-weight relationship of PRS mail. As discussed in witness Kiefer's testimony (MC2203-2, USPS-T-3 at page 9, footnote 3), RBMC pieces were expected to be most directly comparable to Parcel Select pieces.

(b) No separate transportation cost was developed for PRS mail. However, estimates of transportation cost savings were developed by witness Eggleston (MC2003-2, USPS-T-2) for purposes of the experiment. Please see response to POIR NO. 3, question 4.

(c) The unit cost of PRS mail has not been modeled. Please see response to POIR NO. 3, question 4.

(d) In order to project revenue for PRS in the test year (see response to POIR No. 3, Question 4), an assumption was made regarding the volume profile of PRS pieces. Although no full year of "billing determinant" information was available, there was a volume profile from the early months of the experiment. Information from that time

RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE TO  
POIR NO. 4, QUESTION 4

period showed no oversized or balloon parcels, hence there was no test year projection of revenue in these categories. It is not expected that these categories will contain significant volume, so the simplifying assumption used to project TYBR revenues has only a minor potential impact on the revenue projections.

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
POIR NO. 4, QUESTION 5

5. In USPS-T-25 [sic] witness Miller states that Fiscal Year 2003 Productivity Information Management System (PIMS) productivities are used in the models for Parcel Post. These productivities were updated from the ones used in R2001-1 to reflect the fact that Singulation Scan Induction Units (SSIU) had been added to the secondary Parcel Sorting Machine operations in 19 of the 21 BMCs. USPST-25 [sic] at 3. For the Primary NMO Sort operation, the productivity (units/hr) used in developing the model cost for Inter-BMC, Intra-BMC, and DBMC nonmachinable parcels decreased by 31 percent, from 100 in R2001-1 to 68.6 in R2005-1. USPS-LR-J-86 at 9 and USPS-LR-K-103 at 10. This decrease in productivity is a significant factor in the increase in model costs for Inter-BMC, Intra-BMC, and DBMC NMOs between R2001-1 and R2005-1. The increases in model unit costs are 34 percent, 35 percent, and 24 percent respectively.

- (a) Please discuss how the introduction of SSIUs results in a decrease in productivity for nonmachinable parcels.
- (b) Witness Miller states that BMCs were converted to MODS in GFY 2004, and that this conversion was completed by the end of GFY 2004. USPS-T-25 at 4. Please provide the MODS productivities for Primary Parcel Sorting, Secondary Parcel Sorting, Sack Sorting, and NMO distribution operations for FY 2005, quarters 1 and 2.

**RESPONSE:**

Before the Productivity Information Management System (PIMS) was retired in GFY 2004, I had been monitoring the data for the time period AP 1 FY 2001 through AP 13 FY 2003. At that point, the Postal Service converted to monthly reporting. Simultaneously, the Bulk Mail Centers (BMC) converted to the Management Operating Data System (MODS), as described in USPS-T-20 at 4.

The Docket No. R2001-1 Non Machinable Outsides (NMO) productivity relied upon by witness Eggleston (USPS-T-25) was 100 pieces per hour. That figure represented an aggregate Productivity Information Reporting System (PIRS) NMO productivity for the FY 1995 through FY 2000 time frame. The PIRS system was eventually modified and renamed PIMS. In the instant proceeding, the Postal Service has provided an updated FY 2003 PIMS figure, which in the PRC version of the Parcels Cost Models is 69 pieces per hour (USPS-LR-K-103 at page 3).

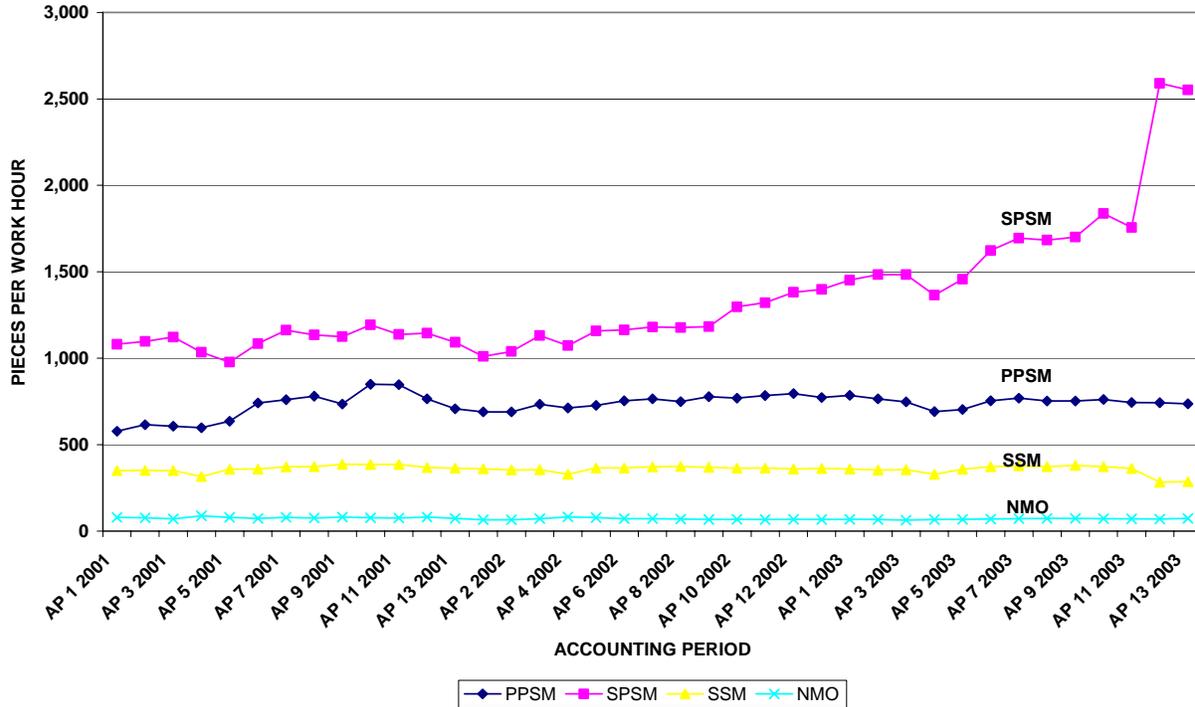
RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
POIR NO. 4, QUESTION 5

The chart below shows the PIMS productivity trends for the Primary Parcel Sorting Machine (PPSM), Secondary Parcel Sorting Machine (SPSM), Sack Sorting Machine (SSM), and Non Machinable Outsides (NMO) operations for the time period described above. The NMO productivity was consistently less than 100 pieces per hour during that time period. Based on this information, the 100 pieces per hour figure relied upon by witness Eggleston may have been overstated. Overall, the PPSM, SSM, and NMO productivity trends were relatively flat during that time period. The one productivity trend that changed appreciably was the SPSM trend, which is not surprising given that 19 of the 21 BMCs were retrofitted with the Singulation Scan Induction Unit (SSIU).

It should also be noted that the data contained within USPS-LR-K-46 and USPS-LR-K-103 indicate that the average cubic feet per NMO parcel has increased over time. This data can be found in cells E43:E45 on page 7 of both library references. In Docket No. R2000-1, the BY 1998 average cubic feet per NMO parcel was 1.992 cubic feet. In Docket No. R2001-1, the BY 2000 average cubic feet per NMO parcel was 2.244 cubic feet. This figure represented a 12.66 percent increase over that from BY 1998. In the instant proceeding, the BY 2004 average cubic feet per NMO parcel is 2.777 cubic feet. This figure represents a 23.78 percent increase over the BY 2000 figure. Given that BMC NMO operations are primarily manual operations, it is possible that the increase in the average cubic feet per NMO parcel over time has had an impact on the overall NMO productivity.

RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
POIR NO. 4, QUESTION 5

**PIMS PRODUCTIVITIES FOR PPSM, SPSM, SSM, NMO OPERATIONS  
AP 1 FY 2001 - AP 13 FY 2003**



(a) The SSIU deployments had no impact on the NMO operation productivity. The SSIU deployments only affected the SPSM productivity.

(b) The requested MODS productivities for FY 2005 Quarters 1 and 2 are shown below. It is my understanding that these figures are not directly comparable to the productivity figures derived under PIMS. The cost models have historically relied upon productivity data expressed using the PIMS format.

<u>Description</u>	<u>Operation No(s).</u>	<u>FY 2005 Qtr 1</u>	<u>FY 2005 Qtr 2</u>
PPSM	105	411 pcs / hr	430 pcs / hr
SPSM	101	336 pcs / hr	368 pcs / hr
SSM	238, 239	165 pcs / hr	189 pcs / hr
NMO	100, 200, 325, 625	58 pcs / hr	60 pcs / hr

RESPONSE OF POSTAL SERVICE WITNESS MCCRERY TO  
POIR NO. 4, QUESTION NO. 6

6. Please refer to the Skin Sack Reduction Program shown in USPS-LR-K-49, Attachments C and D. Explain in detail the derivation of the Mail Handler work hour cost reductions in FY 2005 (215) and FY 2006 (446).

**RESPONSE:**

The mailhandler workhour adjustments associated with the skin sack reduction program were derived as follows. The mail characteristic data collected from the Mail.dat files and the survey of small publications adjusted to national estimates, presented in Table 3 of USPS-LR-K-91, were used to estimate the number of sacks that would be affected by the change in regulations regarding sack size. The assumption was made that all Carrier Route, 5-Digit, SCF, and ADC sacks that had 23 or fewer pieces in them would be eliminated. In addition, 90 percent of 3-Digit sacks with 23 or fewer pieces in them would also be eliminated. These assumptions were developed through discussions with Operations and Mail Acceptance personnel. The total number of sacks estimated to be affected by the change in regulations was 37,968,760. Subsequent work developing the data in USPS-LR-K-91 led to a slightly different number of sacks: 38,221,284. However, by the time USPS-LR-K-91 was finalized, the cost reductions associated with this program had been fully incorporated into the rollforward model. Revising the estimated workhour reductions and reproducing the rollforward would have necessitated the revision of a significant number of downstream analyses for what was less than a 1% difference in the number of sacks.

The second step involved estimating the workhour savings associated with a reduction in handling sacks. This was performed by reference to USPS-

RESPONSE OF POSTAL SERVICE WITNESS MCCRERY TO  
POIR NO. 4, QUESTION NO. 6

LR-J-100, the pallet cost analysis. The portion of USPS-LR-J-100 that estimated sack movement costs was adjusted to TY 2006 figures. This was accomplished by multiplying the productivity figures, except for the one for "Dump Sacks at Bundle Sort", shown in the library reference by the ratio of the TY 2003 (R2001-1) nonmods allied labor volume variability to the TY 2006 (R2005-1) nonmods allied labor volume variability. The productivity for "Dump Sacks at Bundle Sort" was adjusted by the ratio of the weighted averages for the volume variabilities for Mechanized Parcels, SPBS - Non Priority, SPBS – Priority, Opening Unit – BBM, Opening Unit – Preferred Mail, Pouching Operations, and SPBS & Irregular Parcels – BMC. This adjustment updated the productivity figures for the volume variabilities used in this docket. The inverse of the product of the productivities multiplied by the conversion factors (the number of sacks per container) results in the estimated hours per sack of the individual activities. The sum of those represents the hours per sack, 0.0162, associated with the identified handlings.

The number of affected sacks was adjusted to represent the FY 2006 numbers of affected sacks by multiplying the 37,968,760 by the ratio of the forecasted FY 2006 Periodicals volume to the FY 2004 Periodicals volume. The sum of the forecasted Periodicals volume for Q4 of FY 2005 plus one-third of the Q3 FY 2005 volume, representing the portion of the fiscal year during which the regulations were anticipated to be in force, was divided by the FY 2004 Periodicals volume. This ratio was multiplied by the FY 2004 volume to arrive at the estimated number of sacks affected in the portion of FY 2005. The number of sacks for FY 2005 and FY 2006 were then multiplied by the 0.0162 hours per

RESPONSE OF POSTAL SERVICE WITNESS MCCRERY TO  
POIR NO. 4, QUESTION NO. 6

sack to obtain the number of hours saved in each year. The total number of hours saved in FY 2006 was estimated to be 661,142 which was 445,802 more than those saved in the part year of FY 2005. The attached chart provides the analysis.

## Response to POIR 4, Question 6.

### Calculation of Workhour Savings Associated with Skin Sack Rule Changes

	USPS-LR-J-100 Productivity		Productivity Adjusted to TY 2006		Conversion		Hours Per
	Value	Units	Value	Units	Value	Units	Container
<b>Sacks</b>							
	Unload OWC	23.144 OWC/Hr	25.933 OWC/Hr	26.5000 Sacks per OWC	26.5000 Sacks per OWC	0.001455	
	Move OWC to Bundle Sort Operation	24.800 OWC/Hr	27.788 OWC/Hr	26.5000 Sacks per OWC	26.5000 Sacks per OWC	0.001358	
	Dump Sacks at Bundle Sort	124.845 Sacks/Hr	117.909 Sacks/Hr	1.0000	1.0000	0.008481	
	Empty Sack Handling	183.289 Sacks/Hr	205.372 Sacks/Hr	1.0000	1.0000	0.004869	
	Empty OWC Handling	24.800 OWC/Hr	27.788 OWC/Hr	26.5000 Sacks per OWC	26.5000 Sacks per OWC	0.001358	
							0.017521 <b>Hours per Sack</b>

Productivity figures from USPS-LR-J-100 multiplied by nonmods allied labor volume variability for TY 2003 (R2001-1) and divided by nonmods allied labor volume variability for TY 2006 (R2005-1), except for dumping sacks at bundle sort which used the weighted average of the volume variabilities for Mechanized Parcels, SPBS - Non Priority, SPBS – Priority, Opening Unit – BBM, Opening Unit – Preferred Mail, Pouching Operations, and SPBS & Irregular Parcels – BMC

**Sacks Affected by Skin Sack Rule in FY 2004:** **37,968,760**

Derived by reference to USPS-LR-K-91 as described in Response to POIR 4, Question 6.

**Sacks Affected by Skin Sack Rule in FY 2005:** **12,290,077**

Derived by reference to USPS-T-7: FY 2004 skin sacks multiplied by ratio of Q4 FY 2005 plus 1/3 of Q3 FY 2005 Periodicals volume to FY 2004 Periodicals volume.

**Workhours Saved in FY 2005:** **215,340**

**Sacks Affected by Skin Sack Rule in FY 2006:** **37,733,302**

Derived by reference to USPS-T-7: number of FY 2004 skin sacks multiplied by ratio of FY 2006 Periodicals volume to FY 2004 Periodicals volume.

**Workhours Saved in FY 2006:** **661,142**

**Incremental Change over 2005 Savings:** **445,802**

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO  
POIR NO. 4, QUESTION 7(a)

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.

(a) Please explain why the drop in periodicals mail volume in FY 2004 is not reflected in its costs.

**RESPONSE:**

(a) Periodicals (all subclasses) mail processing labor costs have increased between FY 2003 to FY 2004 by 16.4 percent (\$733.2 million to \$853.6 million). At the same time Periodicals volumes declined by 2 percent (9,320 million to 9,135 million). As a result the Periodicals unit mail processing labor cost rose by 18.8 percent (7.87 cents to 9.34 cents). A portion of the increase is from a 6 percent increase in the cost per workhour (for all clerks and mail handlers) between FY 2003 and FY 2004. General reductions in mail processing labor workhours (or productivity increases) appear to have offset about half of this increase, for mail processing labor costs as a whole. See witness Shaw's and my respective responses to part b for additional information.

RESPONSE OF POSTAL SERVICE WITNESS SHAW TO  
POIR NO. 4, QUESTION 7(b), PART 1

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.

(b) Identify the cost drivers including any operational or cost methodological changes that may have led to such an increase in periodicals costs.

**RESPONSE:**

(b-Part 1) The increased Periodical mail processing labor cost coincides with the expansion of the “look up” list for Periodicals used in IOCS data collection software. Beginning the second quarter (January 1) of FY2004, IOCS data collection software was updated with an expanded list. Previously, this “look up” table, as referenced in the IOCS Handbook F-45 (USPS-LR-I-14/R2000-1, page 13-8) was limited to periodicals frequently found in IOCS data collection. The distribution method for downloading IOCS data collection software to the field limited the size of the “look up” table. Prior to January 1, 2003, all IOCS data collection software updates had to fit on a floppy diskette for field distribution. However, after January 1, 2003 the software distribution process used CDs with their much higher capacity, thereby allowing a much larger “look up” Periodical list. The expanded Periodical list is built from the IOCS file ALB.HQ270T01.GULTMSTR.FY&FY&GULTQTR. This is the flat publications file (referred to as the "GULT" or "GULT MASTER") produced each quarter in the fiscal year. Please see USPS-LR-K-9/R2005-1 page 28 for a description of how the “GULT MASTER” file is created.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO  
POIR NO. 4, QUESTION 7(b), PART 2

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.

(b) Identify the cost drivers including any operational or cost methodological changes that may have led to such an increase in periodicals costs.

**RESPONSE:**

(b-Part 2) The main reason for the increase in Periodicals mail processing labor cost is due to the expansion of the “look up” list for Periodicals used in IOCS data collection software, described in witness Shaw’s response to part 1 of part b. As discussed below, this conclusion is based on comparing the FY 2003 and FY 2004 IOCS dollar-weighted direct tallies for Periodicals .

The expanded “look up” list used in IOCS data collection software was implemented on January 1, 2004, as indicated by witness Shaw’s response to part b. The cost evidence is consistent with this change in the beginning of January, 2004. The Periodicals dollar weighted direct tally cost share of total dollar weighted direct tally costs for mail processing rose by about 18% for the last three quarters of FY 2004. In the five quarters prior to the introduction of the expanded list (all of FY 2003 and quarter one of FY 2004) about 2 percent of dollar weighted direct tally costs were Periodicals costs. In the last three quarters of FY 2004, the Periodicals share averaged 2.4 percent.

In addition, the increase in Periodicals mail processing costs can be directly related to the publications that were newly added to the “look up” list. The total dollar

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO  
POIR NO. 4, QUESTION 7(b), PART 2

weighted mail processing tallies for Periodicals rose 15.3 percent between FY 2003 and FY 2004. The dollar weighted direct tally costs for the publications added to the “look up” list more than doubled between FY 2003 and FY 2004, while other Periodicals tallies (those for titles on the shorter lookup list, titles not on either list, and tallies resulting from “counted items”) declined by 7 percent. The growth in these dollar weighted tally costs for the added publications more than account for this 15.3 percent overall increase in dollar weighted tally costs for Periodicals as a whole.

RESPONSE OF POSTAL SERVICE WITNESS SMITH TO  
POIR NO. 4, QUESTION 7(c)

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.

(c) Please provide an explanation in those instances where the cost pool has increased or decreased more than 10 percent in FY 2004 compared to FY 2003.

**RESPONSE:**

(c) The main explanation for the 10 percent or greater changes in Periodicals cost pool costs is the expansion of the "look up" list for Periodicals used in the IOCS data collection software. As noted in the question, the increase seems to be focused in the allied operations. There were also some greater than 10 percent increases in manual flat sorting at the plant and stations and branches, and also for UFSM 1000, with the increase highest for the manual flat sorting at stations and branches. This pattern is consistent with the make up of the publications which were added into the "look up" list. These publications are less likely to be dropshipped and are also less finely presorted than the titles on the previous list.

The large increases in Periodicals Flats Preparation (1FLATPRP), Mechanical Tray Sorter (1TRAYSRT), Miscellaneous Activity (1MISC) and Mail Processing Support (1SUPPORT) are due to significant growth in the work hours in these cost pools due to operational changes, such as, shifting the preparation of automation flats to a distinct prepping operation and increasing the use of mechanization for tray/tub sorting with the deployment of Low Cost Tray Sorters.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO  
POIR NO. 4, QUESTION 8

8. Please provide a matrix showing a breakdown of allied cost pools showing the number of direct tallies, their associated dollar values, and their percent share of total by piece shapes, item types, and container types for each cost pool as described in direct testimony of witness Van-Ty-Smith, section B.2.3. The breakdown should include uncounted and empty items, identified containers by loose pieces and items, and unidentified and empty containers. Also, identify cell or cells where the recorded direct tally is not used and a broader set of tallies is used to form a distribution key for mixed and not-handling tallies including a description of what is used to create the proxy distribution key.

**RESPONSE:**

The matrix for the breakdown of all handling tallies is organized into two worksheets in the attached Excel file (POIR4 item8 response.xls). The first worksheet shows the dollars associated with each requested category by cost pool and the corresponding percent share of total handling dollars. The second worksheet shows the number of records associated with each requested category by cost pool. Each worksheet consists of three tables showing the requested categories as follows:

Table 1. The direct tallies by piece shapes, item types and container types.

Table 2. The mixed tallies for handlings of items by item types and identified containers by container types. Each item type includes a breakdown by uncounted and empty categories. Each container type includes a breakdown by shapes of loose pieces and item types.

Table 3. The mixed tallies for handlings of unidentified and empty containers by container types.

The cells where a broader set of tallies is used for a distribution key are located in Table 2. They consist of all items (uncounted and empty) and all identified containers for the BMCS PLA cost pool, and of all identified containers for the MODS 17 1OPTRANS, the MODS 17 1PLATFRM and the PO/STA/BR ALLIED cost pools. For

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO  
POIR NO. 4, QUESTION 8

those cells in Table 2, the direct container tallies are not used in the distribution key. Each piece shape and item type from Table 2 is distributed in proportion to the subclasses recorded for the same direct piece shape and item type from Table 1. For example, uncounted/empty flat trays (TRAY\_F) and flat trays (TRAY\_F) in identified containers in Table 2 are distributed in proportion to the subclasses from direct flat trays (TRAY\_F) from Table 1. Parcel pieces (PC\_PCL) in identified containers in Table 2 are distributed in proportion to the subclasses from direct parcel pieces (PC\_PCL) from Table 1. The broader set of direct tallies by piece shape and item type used for each of these four cost pools is as follows:

- for BMCS PLA: direct tallies for all BMC mail processing cost pools, allied as well as non-allied.
- for MODS 17 1OPTRANS and the MODS 17 1PLATFRM: direct tallies for the MODS allied cost pools shown in Table 1, and the MODS 13 1SACKS\_M and the MODS 13 1TRAYSRT cost pools.
- for PO/STA/BR ALLIED: direct tallies for the PO/STA/BR mail processing cost pools, allied and non-allied, which exclude the REGISTRY and the MISC cost pools.

Since within a cost pool, each unidentified and empty container type from Table 3 is distributed in proportion to the distributed subclasses for the same identified container type from Table 2 combined with the recorded subclasses for the same direct container type from Table 1, it follows that the subclasses from the broader set of tallies used for the identified containers in BMCS PLA, MODS 17 1OPTRANS, MODS 17 1PLATFRM

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO  
POIR NO. 4, QUESTION 8

and PO/STA/BR ALLIED are also reflected in the unidentified and empty containers for these four cost pools.

The aggregate of the recorded subclasses for the direct tallies from Table 1 and the distributed subclasses for the mixed tallies from Tables 2 and 3 constitutes the subclasses for the handling tallies. The not-handling tallies are distributed in proportion to the handling tallies within each allied cost pool except for the platform cost pools BMCS PLA and MODS 17 1PLATFRM which use a broader set of handling tallies. See USPS-T-11, p.18, lines 21-30, and LR-K-55, Part II for a description of the broad-based distribution keys used in these two platform cost pools.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
POIR NO. 4, QUESTION 9

9. Please provide a copy of the special study associated with the variability factor of 61.22% listed in LR-K-93, workbook CS03, worksheet PRC 3.0.2.

**RESPONSE:**

The variability factor is not the result of a special study, but rather an IOCS SAS tally analysis. The Postal Service will revise the source reference name to reflect this in future proceedings. The variability factor is  $[100\% \text{ minus the percentage of not handling tallies for Registry}]$  or  $[1 - (\text{the number of dollar weighted not handling Registry tallies}/\text{the number of dollar weighted total tallies})]$ .

In R90-1, the percentage was 61.79%, shown in Docket No. R90-1, Appendix C, Workpaper 1, Page 1 of 5 of USPS-T-13, witness Barker. The corresponding Registry percentage in Docket No. R94-1 was 58.79%, shown in spreadsheet 3.0.2 of the B Workpapers of witness Barker, USPS-T-4. The Postal Service introduced new mail processing methods in Docket No. R97-1 and therefore no longer calculated the Registry variability in the same way as in Docket No. R94-1. Also in Docket No. R97-1, the Postal Service was not required to file a PRC version of worksheet 3.0.2, so there is no corresponding percentage for the base year (FY 1996).

The percentage of 61.22% appeared for the first time in the FY 1997 PRC version of the "B" workpapers, spreadsheet 3.0.2. We believe that the 61.22% was likely the result of the same calculation the Postal Service used prior to Docket No. R97-1, but performed using FY 1997 data, as this was both the first time the Postal Service produced PRC Versions of worksheet 3.0.2 and the first time the percentage appears.

In Docket No. R2000-1, the variability factor of 61.22% was included in the workpapers from the Postal Rate Commission, PRC-LR-5, "Segment 3 Costs and

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Supporting Documentation Workpapers." (The Postal Service does not have Segment 3 PRC library references for Docket No. R97-1 or Docket No. R2001-1.)

To determine if the 61.22% was still suitable for the instant proceeding, an IOCS SAS tally analysis was run for FY 2004 with a result of 59.40%. Therefore, the Commission can determine which percentage is most appropriate for their use or choose some other method that is deemed more appropriate.

RESPONSE OF POSTAL SERVICE WITNESS VAN-TY-SMITH TO  
POIR NO. 4, QUESTION 10

**10.** Please provide the data file called XKEY used in NONMOD4 SAS program of the LR-K-55.

**RESPONSE:**

The data file accessed in NONMOD4 SAS program through the XKEY address (see JCL.rtf) is CS34DK. The CS34DK.rft file is in the PROGRAMS directory of the diskette originally provided with LR-K-55.

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO  
POIR NO. 4, QUESTION 11(a)

**11.** Refer to Docket No. R2000-1, the response to ABA&NAPM/USPS-T24-12 (Tr. 7/3047-3062). In this response, witness Miller provides a brief description of each component of mail processing costs used to estimate letter and card worksharing savings and explains the rationale for categorizing each pool as worksharing related proportional, worksharing related fixed, or non-worksharing related fixed.

(a) Please provide a revised description and rationale for categorization (for both First-Class Mail and Standard Mail) for each of the letter cost pools in the current case. Please identify and explain any pools that have been combined, separated, created, eliminated, renamed, or otherwise changed in definition since the R2000-1 case.

**RESPONSE:**

Please refer to responses provided to TW/USPS-T11-1-12 for cost pools that have been combined, separated, created, eliminated, renamed or otherwise changed. Also please refer to USPS-LR-K-55 for Management Operating Data system (MODS) operations numbers that are “mapped” to this cost pool.

In this docket, I have used Commission approved hybrid cost methodology to calculate the worksharing related savings for each rate category similar to Docket No. R2001-1.

Rather than assuming that all cost pools are affected by mailer worksharing (prebarcoding and presorting) activities, I have only included those cost pools that contain presort letter/card piece distribution and/or package distribution costs. The remaining cost pools have been classified as “non-worksharing related fixed” cost pools.

The rationale behind the cost pool classifications is as follows:

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1. BCS/ FCM: Worksharing Related Proportional  
STD: Worksharing Related Proportional

This cost pool contains the costs related to Bar Code Sorter (BCS) operations at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

2. BCS/DBCS  
FCM: Worksharing Related Proportional  
STD: Worksharing Related Proportional

This cost pool contains the cost related to Bar Code Sorter (BCS) operations at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

3. OCR/  
FCM: Worksharing Related Proportional  
STD: Worksharing Related Proportional

This cost pool contains the costs related to Optical Character reader (OCR) operations at MODS facility. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities

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for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

4. FSM100

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

5. FSM/

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

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6. FSM/1000

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flat Sorting Machines (FSM) at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

7. MECPARC

FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the cost related to mechanized parcel sorting operations at MODS facilities and should not be affected by mailer working activities related to letters and cards. Therefore, it has been classified as “non-worksharing related fixed.”

8. MODS SPBS OTH FCM: Non-Worksharing Related Fixed

STD: (Nonauto): Worksharing Related Proportional

STD (AUTO): Worksharing Related Fixed

This cost pool contains the cost related to Small Parcel and Bundle Sorter (SPBS) bundle sorting operations at MODS facilities. The SPBS is not typically

RESPONSE OF POSTAL SERVICE WITNESS ADBIRAHMAN TO  
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used to process first-Class Mail letter bundles. It is, however, used to process standard letter bundles. Standard nonautomation presort letter trays can contain bundles and bundle sorting costs are included in the cost model; therefore a “worksharing related proportional” classification is used. Standard automation presort letter trays should not contain bundles. In this instance the classification “worksharing related fixed” is used. Automation letters are still classified as “worksharing related” in order to maintain the proper cost relationship between nonautomation and automation presort letters. However, the “fixed” classification is used in order not to skew the relationship between the three automation rates that are being de-averaged using cost models.

9. MODS SPBSPRIO FCM: Non-worksharing Related Fixed  
STD: Non-worksharing Related Fixed

This cost pool contains the costs related to Small Parcel and Bundle Sorter (SPBS) priority mail sorting operations at MODS facilities and should not be affected by mailer worksharing activities related to letters and cards.

Therefore, it has been classified as “non-worksharing related fixed.”

10. 1SACK\_M FCM: Non-worksharing Related Fixed  
STD: Non-Worksharing Related Fixed.

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This cost pool contains the costs related to mechanized sack sorting operations at MODS facilities. On occasions, these sorting machines may be used to process letter trays. However, these operations are not related to piece distribution or package distribution of letters or cards. Therefore, the “non-worksharing related fixed” classification is used.

11. 1TRAYSRT FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to mechanized tray sorting and robotic equipments in MODS operations. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the “non-worksharing related fixed” classification is used.

12. MANF FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual flat sorting operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards.

13. MANL FCM: Worksharing Related Proportional





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This cost pool contains the costs related to preparing mail for dispatch, removing trays from Tray Management System (TMS), and moving equipment into the unit in MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the “non-worksharing related fixed” classification is used.

19. 1FLATPRP FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Flats Mail Cart (FMC) preparation tasks at MODS facilities. These operations are not related to piece distribution or package distribution of letters or cards. Therefore, the “non-worksharing related fixed” classification is used.

20. 1MTRPREP FCM: Worksharing Related Fixed

STD: Worksharing Related Fixed

This cost pool contains the costs related to meter belt operations at MODS facilities. This cost pool contains the costs related to meter belt operations at MODS facilities. These costs are not included in the mail flow model. These costs, however, would be incurred as a result of a given mailer choosing to





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The cost pool contains the costs related to platform operations performed by postal dock workers in MODS. In R2000-1, this cost pool was debated and resolved that for First Class Mail, this costs were to be classified as worksharing related fixed and non-worksharing related fixed for Standard Mail. It is assumed that these costs are identical for FC rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the “worksharing related fixed” classification is used for First-Class Mail.

25.1POUCHING      FCM: Worksharing Related Fixed  
                          STD: (Nonauto): Worksharing Related Proportional  
                          STD: (Auto): Worksharing Related Fixed

This cost pool contains the costs related to pouch racks and package sorting operations in MODS facilities. For both the First-Class Mail and Standard Mail nonautomation presort rate categories, these costs are classified as “worksharing related proportional” because package sorting costs are included in the cost models. For the automation presort rate categories, these costs are still classified as “worksharing related” in order to maintain the proper cost relationship between the nonautomation presort rate categories and the automation presort rate categories. However, a fixed classification is used so that the cost relationships between the automation rate categories themselves are not





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This cost pool contains the costs related to Express Mail operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

31. MAILGRAM            FCM: Non-Worksharing Related Fixed  
                                  STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to mailgrams and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

32. REGISTRY            FCM: Non-Worksharing Related Fixed  
                                  STD: Non-Worksharing Related Fixed

This cost pool contains the costs relate to registered mail operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

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33. REWRAP            FCM: Non-Worksharing Related Fixed  
                              STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to rewrap operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

34. 1EEQMT            FCM: Non-Worksharing Related Fixed  
                              STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to empty equipment operations and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

35. 1MISC            FCM: Worksharing Related Fixed  
                              STD: Worksharing Related Fixed

This cost pool contains the costs related to various administrative tasks at MODS facilities. These costs are obviously worksharing related, but they are not included in the cost models. As result, the “worksharing related fixed” classification is used.

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36. 1SUPPORT     FCM: Worksharing Related Fixed  
                         STD: Worksharing Related Fixed

This cost pool contains the costs related to various administrative tasks at MODS facilities. These costs are not included in the mail flow model. These costs, however, would be incurred as a result of a given mailer choosing to engage in worksharing activities. As result, the “worksharing related fixed” classification is used.

37. INTL ISC             FCM: Non-Worksharing Related Fixed  
                                 STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to International Service Centers (ISC) operations in MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

38. PMPCS     FCM: Non-Worksharing Related Fixed  
                         STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Priority Mail operations in MODS facilities and should not be affected by mailer worksharing activities related to

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letters and cards. Therefore, the “non-worksharing related fixed” classification is used.

39. LD41                   FCM: Worksharing Related Proportional  
                                  STD: Worksharing Related Proportional

This cost pool contains the costs related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

40. LD42                   FCM: Worksharing Related Proportional  
                                  STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

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41. LD43 FCM: Worksharing Related Proportional  
STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

42. LD44 FCM: Worksharing Related Proportional  
STD: Worksharing Related Proportional

This cost pool contains the cost related to Customer Service tasks in Labor Distribution Code (LDC) at MODS facilities. These costs are included in the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

43. LD48 EXP FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

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This cost pool contains the costs related to various administrative Express mail tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

44. LD48 OTH FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

45. LD48\_ADM FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

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46. LD48\_SSV: FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to various administrative Customer Service tasks at MODS facilities. This cost pool does not include costs related to the piece distribution or package distribution of letters or cards. Therefore, it has been classified as “non-worksharing related fixed.”

47. LD49 FCM: Worksharing Related Fixed  
STD: Worksharing Related Fixed

This cost pool contains the costs related to Computerized Forwarding System (CFS) operations at MODS facilities. The costs are worksharing related in the sense that mailers are required to meet strict addressing standards. However, these costs are not included in the cost model. As result, this cost pool is classified as “worksharing related fixed”.

48. LD79 FCM: Worksharing Related Fixed  
STD: Worksharing Related Fixed

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The cost pool contains the costs related to Bulk Entry acceptance and verification at MODS facilities. These costs are working related, but they are not in the cost model. As result, the “worksharing related fixed” classification is used.

49. 1SUPP\_F1 FCM: Worksharing Related Fixed  
STD: Worksharing Related Fixed

This cost pool contains the costs related to support operations at MODS facility. It is assumed that these costs are identical for rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the “worksharing related fixed” classification is used.

50. NMO FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related allied labor at BMCs. First-Class Mail is not processed at BMCs and would therefore be classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

51. OTHR FCM: Non-Worksharing Related Fixed

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STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to allied labor at BMCs. First-Class Mail is not processed at BMCs, would therefore be classified as indicated.

Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

52. PLA FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to platform operations at BMCs. First-Class Mail is not processed at BMCs and is therefore classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

53. PSM FCM: Non-Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

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This cost pool contains the costs related to Parcel Sorting Machines (PSM) at BMCs and should not be affected by mailer working activities for letters and cards. Therefore, it has been classified as indicated.

54.   SPB           FCM: Non-Worksharing Related Fixed  
                      STD: (Nonauto): Worksharing Related Proportional  
                      STD: (Auto): Worksharing Related Fixed

This cost pool contains the costs related to Small Parcel and Bundle sorter (SPBS) operations at BMCs. First-Class Mail is not processed at BMCs and is therefore be classified as indicated. The SPBS, however is used to process Standard Mail bundles at BMCs. Standard Mail nonautomation presort letter trays can contain bundles and bundle sorting costs are included in the cost model; therefore, a “worksharing related proportional” classification is used. Automation letters are still classified “worksharing related” in order to maintain the proper cost relationship between the nonautomation presort rate categories and the automation presort rate categories. However, a “fixed” classification is used so that the cost relationships between the automation rate categories themselves are not skewed when the cost models are used to de-average CRA mail processing unit costs.

55.   SSM           FCM: Non-Worksharing Related Fixed

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STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to Sack Sorting Machines (SSM) at BMCs. First-Class Mail is not processed at BMCs and therefore classified as indicated. Standard Mail is processed at BMCs. But this cost pool does not involve piece distribution or package distribution activities. Therefore, it has been classified as indicated.

56. ALLIED FCM: Worksharing Related Fixed

STD: Non-Worksharing Related Fixed

The cost pool contains the costs related to platform operations performed by postal dock workers in MODS. In R2000-1, this cost pool was debated and resolved that for First Class Mail, this costs were to be classified as worksharing related fixed and non-worksharing related fixed for Standard Mail. It is assumed that these costs are identical for FC rate categories that use cost models to de-average a CRA mail processing unit category. As a result, the “worksharing related fixed” classification is used.

57. AUTO/MEC FCM: Worksharing Related Proportional

STD: Worksharing Related Proportional



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This cost pool contains the costs related to manual letter sorting operations in NON-MODS facilities. These costs are included in both the First-Class Mail and Standard Mail cost models and are directly affected by mailer worksharing activities for letters and cards. Therefore, a “worksharing related proportional” classification has been used.

61. MANP FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed

This cost pool contains the costs related to manual parcel sorting operations in Non-MODS facilities and should not be affected by mailer worksharing activities related to letters and cards. Therefore, it has been classified as indicated.

62. MISC FCM: Non-Worksharing Related Fixed  
STD: Non-Worksharing Related Fixed



RESPONSE OF POSTAL SERVICE WITNESS MILLER TO  
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11. Refer to Docket No. R2000-1, the response to ABA&NAPM/USPS-T24-12 (Tr. 7/3047-3062). In this response, witness Miller provides a brief description of each component of mail processing costs used to estimate letter and card worksharing savings and explains the rationale for categorizing each pool as worksharing related proportional, worksharing related fixed, or non-worksharing related fixed.

(b) Please provide a similar description and rationale for the categorization of the pools used to estimate worksharing related savings for First-Class, Standard, and Periodicals flat-shaped mail.

**RESPONSE:**

b) It should be noted that the cost estimates described in USPS-T-19 were not relied upon to support rate design. Some of the estimates covered by that testimony were used as a means to estimate final adjustments.

The cost pool classifications described in the Docket No. R2000-1 response to ABA&NAPM/USPS-T24-12 concerned the cards / letters cost models. Three classifications were used: worksharing related proportional, worksharing related fixed, and non-worksharing related fixed. The proportional cost pools were those worksharing related cost pools that represented tasks actually included in the mail flow models. Those cost pools that were determined to be worksharing related, but which were not modeled, were classified as worksharing related fixed. Those cost pools that were determined not to be directly affected by the presorting and/or prebarcoding of cards and letters were classified as non-worksharing related fixed.

The cards / letters cost models estimate piece and bundle (in the very limited case of nonmachinable nonautomation presort mail and automation carrier route presort mail) distribution costs. Although the cards / letters cost models results do not support rate design in the instant proceeding, the goal of those cost models in a normal rate case are to estimate the worksharing related savings by rate category. A pricing

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witness would then normally rely on those estimates while developing rate design.

Given that the cost models rely on multiple CRA mail processing unit costs by shape, those cost pools which are classified as worksharing related fixed have an impact on the savings estimates by rate category. If those cost pools would have been reclassified as non-worksharing related fixed, the savings estimates would have decreased.

As both the cards / letters and flats cost witness in Docket No. R2001-1, I used the same cost pool classifications for consistency purposes. While the flats cost models estimate piece and bundle distribution costs, the outputs of the flats cost models are total mail processing unit cost estimates by rate category rather than worksharing related savings estimates, which have not historically been calculated; there is no formal flats cost benchmark. The pricing witnesses generally evaluate the mail processing cost differences between rate categories in developing their rate proposals. Given that only one CRA mail processing unit cost by shape is used per class of mail, the classification of a given cost pool as worksharing related fixed has no bearing on the results.

For the First-Class Mail Presort flats, Periodicals Outside County flats, and Standard Mail (Regular and Nonprofit combined) presort flats cost studies, the CRA mail processing unit cost estimates by shape can be found in USPS-LR-K-43, pages 3, 36, and 71, respectively. Those estimates are subdivided into 63 cost pools.

Those cost pools that represent worksharing related tasks included in the mail flow models have been classified as worksharing related proportional. Those cost pools that represent tasks deemed to be worksharing related, but which are not included in the models, have been classified as worksharing related fixed. Those costs pools

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representing tasks that are not considered to be directly affected by the presorting and/or prebarcoding of flat-shaped mail have been classified as non-worksharing related fixed. The classifications are based upon the task content associated with each cost pool. Please bear in mind that the goal of the cost studies is to isolate the value of mailer presorting and/or prebarcoding efforts.

**Cost Pool No. 1: BCS/ Classification: Non-worksharing related fixed**

The Management Operating Data System (MODS) operation numbers that are "mapped" to this cost pool can be found in USPS-LR-K-55, page I-12. These operation numbers represent tasks performed using the Mail Processing Bar Code Sorter (MPBCS), which is a machine used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 2: BCS/DBCS Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-12 to I-13. These operation numbers represent tasks performed using various forms of the Delivery Bar Code Sorter (DBCS) and the Carrier Sequence Bar Code Sorter (CSBCS), which are machines used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 3: OCR/ Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-13 to I-14. These operation numbers represent tasks performed using

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the Multi Line Optical Character Reader (MLOCR), which is a machine used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 4: AFSM100      Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-14. These operation numbers represent tasks performed using the Automated Flats Sorting Machine Model 100 (AFSM100), which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 5: FSM/      Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-14 to I-15. These operation numbers represent tasks performed using the Flats Sorting Machine Model 881 (FSM881), which have all been removed from the postal mail processing network. Consequently, the cost pool value for the three flats classes of mail is 0.000 cents. If any FSM881s were still found in the postal network, these costs would have been affected by mailer presorting and/or prebarcoding efforts for flats-shaped mail. They also would have been included in the mail flow model.

**Cost Pool No. 6: FSM/1000      Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-15. These operation numbers represent tasks performed using the Upgraded Flats Sorting Machine Model 1000 (UFSM1000), which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

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**Cost Pool No. 7: MECPARC Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-15. These operation numbers represent tasks performed using mechanized parcel sorting equipment. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 8: SPBSOTH Classification: Worksharing related proportional**

**Cost Pool No. 9: SPBSPRIO Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, pages I-15 to I-16. These operation numbers represent tasks (e.g., flats bundle processing) performed using the Small Parcel and Bundle Sorter (SPBS), which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 10: 1SACKS\_M Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using mechanized sack sorting equipment. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 11: 1TRAYSRT Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using mechanized tray sorters and robotics equipment. These costs are affected by other characteristics, such as whether the mail is entered locally, and would not be directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

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**Cost Pool No. 12: MANF                      Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using manual flats cases, which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 13: MANL                      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-16 to I-17. These operation numbers represent tasks performed using manual letters cases. These costs are generally not affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 14: MANP                      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed using manual parcel operations. These costs are generally not affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 15: PRIORITY                      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed using manual Priority Mail operations. These costs are not directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

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**Cost Pool No. 16: LD15                    Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed by the Data Conversion Operator (DCO) "keyers," which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 17: 1CANCEL            Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-17 to I-18. These operation numbers represent tasks performed in cancellation operations. These costs are not directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 18: 1DSPATCH        Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks required to prepare mail for dispatch. These costs are affected by other characteristics, such as whether mail is entered locally, and are therefore not directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 19: 1FLATPRP        Classification: Worksharing related fixed**

The 035 MODS operation number is mapped to this cost pool and can be found in USPS-LR-K-55, page I-18. This operation number represents the bundle opening and Flat Mail Cart (FMC) preparation tasks, which are not included in the mail flow model.

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These costs, however, would be incurred as a result of a given mailer choosing to engage in worksharing activities.

**Cost Pool No. 20: 1MTRPREP Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks performed on meter belts. These costs are not directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 21: 1OPBULK Classification: Worksharing related proportional**  
**Cost Pool No. 22: 1OPPREF Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks performed in opening unit operations (e.g., manual bundle sorting activities), which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 23: 1OPTRANS Classification: Non-worksharing related fixed**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-18. This operation number represents tasks required to weigh mail into the postal network. These costs are not directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 24: 1PLATFRM Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-18 to I-19. These operation numbers represent tasks performed by

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postal dock employees. These costs are affected by other factors, such as whether a mailing is entered locally, and are not directly affected by mailer presorting and/or prebarcoding efforts. Furthermore, the destination entry cost studies cover some tasks found in this cost pool for Periodicals and Standard Mail.

**Cost Pool No. 25: 1POUCHNG Classification: Worksharing related proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. These operation numbers represent tasks performed on pouch racks (e.g., bundle sorting activities), which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 26: 1PRESORT Classification: Worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. These operation numbers represent tasks associated with the "cutting," or organizing, of presort mail based on the next operation, which are not included in the cost model. These costs, however, would be incurred as a result of a mailer choosing to engage in worksharing activities.

**Cost Pool No. 27: 1SACKS\_H Classification: Non-worksharing related fixed**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation number represents tasks performed using manual sack sorting operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

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**Cost Pool No. 28: 1SCAN      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks required to prepare mail for air transportation, which is a function of the class of mail and whether that mail has been entered locally. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 29: BUSREPLY      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in nixie and postage due operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 30: EXPRESS      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in Express Mail operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 31: MAILGRAM      Classification: Non-worksharing related fixed**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation number represents Mailgram tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, or Standard Mail flat-shaped mail.

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**Cost Pool No. 32: REGISTRY Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in the Registry Section. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 33: REWRAP Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in rewrap and repair operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 34: 1EEQMT Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent tasks associated with empty equipment processing. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 35: 1MISC Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent various administrative tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding

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efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 36: 1SUPPORT Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent various administrative tasks.

These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 37: INTL ISC Classification: Non-worksharing related fixed**

The methodology used to estimate ISC costs is described in USPS-LR-K-55, page I-3.

This cost pool represents the tasks performed at International Service Centers (ISC).

These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 38: PMPC Classification: Non-worksharing related fixed**

The methodology used to estimate PMPC costs is described in USPS-LR-K-55, page I-

3. This cost pool represents the tasks performed at Priority Mail Processing Centers

(PMPC). These costs would not be directly affected by mailer presorting and/or

prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and

Standard Mail flat-shaped mail.

**Cost Pool No. 39: LD41 Classification: Non-worksharing related fixed**

The methodology used to estimate cost pool LD41 can be found in USPS-LR-K-55,

page I-3. The costs mapped to this cost pool represent those Customer Service tasks

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performed in Labor Distribution Code (LDC) 41. This LDC represents automated letters. These costs would therefore not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

<b>Cost Pool No. 40: LD42</b>	<b>Classification: Worksharing related proportional</b>
<b>Cost Pool No. 41: LD43</b>	<b>Classification: Worksharing related proportional</b>
<b>Cost Pool No. 42: LD44</b>	<b>Classification: Worksharing related proportional</b>

The methodology used to estimate the LD42, LD43, and LD44 cost pools can be found in USPS-LR-K-55, page I-3. The costs mapped to these cost pools represent those Customer Service tasks performed in LDCs 42, 43, and 44. These LDCs represent mechanized, manual, and post office box distribution operations, respectively, which can all involve the sortation of flat-shaped mail. These costs would therefore be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 43: LD48 EXP    Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various administrative Express Mail tasks, which are performed in the Customer Service function. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

<b>Cost Pool No. 44: LD48 OTH</b>	<b>Classification: Non-worksharing related fixed</b>
<b>Cost Pool No. 45: LD48_ADM</b>	<b>Classification: Non-worksharing related fixed</b>
<b>Cost Pool No. 46: LD48_SSV</b>	<b>Classification: Non-worksharing related fixed</b>

The costs mapped to this cost pool represent various other administrative tasks, which are performed in the Customer Service function. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

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**Cost Pool No. 47: LD49                      Classification: Non-worksharing related fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. These operation numbers represent tasks associated with the forwarding and return of mail. These costs would not be affected by a mailer's decision to engage in worksharing activities.

**Cost Pool No. 48: LD79                      Classification: Worksharing related fixed**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, page I-20. These operation numbers represent tasks associated with the acceptance and verification of mail. These costs would be affected by a mailer's decision to engage in worksharing activities.

**Cost Pool No. 49: 1SUPP\_F1                Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various mail processing administrative tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

**Cost Pool No. 50: NMO                      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent Non Machinable Outside (NMO) parcel operations performed at Bulk Mail Centers (BMC). These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 51: OTHR                      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various allied support operations performed at BMCs. These costs would not be affected by mailer presorting and/or

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prebarcoding efforts for flat-shaped mail. Furthermore, some of these costs may be covered by the destination entry cost studies for Periodicals and Standard Mail.

**Cost Pool No. 52: PLA**                      **Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various allied platform operations performed at BMCs. These costs are affected by other factors, such as whether a mailing is entered locally, and are not directly affected by mailer presorting and/or prebarcoding efforts. Furthermore, the destination entry cost studies cover some tasks found in this cost pool for Periodicals and Standard Mail.

**Cost Pool No. 53: PSM**                      **Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent Parcel Sorting Machine (PSM) operations performed at BMCs. These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 54: SPB**                      **Classification: Worksharing related proportional**

The costs mapped to this cost pool represent SPBS tasks performed at BMCs, which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 55: SSM**                      **Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent Sack Sorting Machine (SSM) operations performed at BMCs. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flat-shaped mail.

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**Cost Pool No. 56: ALLIED      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various allied operations performed at non-MODS sites. These costs are affected by other factors, such as whether a mailing is entered locally, and are not directly affected by mailer presorting and/or prebarcoding efforts. Furthermore, the destination entry cost studies cover some tasks found in this cost pool for Periodicals and Standard Mail.

**Cost Pool No. 57: AUTO/MECH      Classification: Worksharing related proportional**

The costs mapped to this cost pool represent automation and mechanization tasks performed at non-MODS offices, which can involve the distribution of flat-shaped mail. These costs would therefore be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 58: EXPRESS      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent Express Mail operations performed at non-MODS sites. These costs would therefore not be affected by mailer presorting and/or prebarcoding efforts for First-Class Mail presort, Periodicals Outside County, and Standard Mail flats.

**Cost Pool No. 59: MANF      Classification: Worksharing related proportional**

The costs mapped to this cost pool represent manual flats sorting tasks performed at non-MODS offices, which are included in the mail flow model. These costs would be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

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**Cost Pool No. 60: MANL                      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent manual letters sorting tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 61: MANP                      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent manual parcels sorting tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 62: MISC                      Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent various administrative tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

**Cost Pool No. 63: REGISTRY              Classification: Non-worksharing related fixed**

The costs mapped to this cost pool represent Registry Section tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for flat-shaped mail.

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**11.** Refer to Docket No. R2000-1, the response to ABA&NAPM/USPS-T24-12 (Tr. 7/3047-3062). In this response, witness Miller provides a brief description of each component of mail processing costs used to estimate letter and card worksharing savings and explains the rationale for categorizing each pool as worksharing related proportional, worksharing related fixed, or non-worksharing related fixed.

(c) Please provide a similar description and rationale for the categorization of the pools used to estimate cost differentials for Parcel Post mail.

**RESPONSE:**

(c) It should be noted that the cost estimates described in USPS-T-20 were not relied upon to support rate design. Some of the estimates covered by that testimony were used as a means to estimate final adjustments.

Please see the response to POIR No. 4, Question 11(b) for a description of how the cost pool classifications affect both the cards / letters and flats cost models.

The parcels cost models estimate mail processing piece and container costs and, in limited instances, some window service costs. The outputs of those cost models include some savings estimates, but those estimates generally involve the comparison of one rate category to another. In preparing for this docket, the decision was made to minimize methodology changes to the extent practicable. I therefore rely on the same cost pool classifications as those used by witness Eggleston in Docket No. R2001-1, which consist of two classifications: proportional and fixed (whether deemed worksharing related or not). Had I used the same three cards / letters and flats cost pool classifications, the results would not have differed in any way because only one CRA mail processing unit cost estimate by shape is relied upon for the affected Package Services subclasses. Consequently, the classification of a cost pool as worksharing related fixed, rather than non-worksharing related fixed, would have had no impact on

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the results. Furthermore, CRA mail processing unit costs by shape and by cost pool were only relied on to support the Parcel Post and Library Mail / Media Mail cost models. The Bound Printed Matter cost model did not rely on a CRA mail processing unit cost by shape estimate.

For Parcel Post, the CRA mail processing unit cost estimate by shape can be found in USPS-LR-K-46, page 2. This estimate is subdivided into 63 cost pools. Those cost pools that represent tasks included in the mail flow models have been classified as proportional. All other tasks have been classified as fixed.

**Cost Pool No. 1: BCS/ Classification: Fixed**

The Management Operating Data System (MODS) operation numbers that are "mapped" to this cost pool can be found in USPS-LR-K-55, page I-12. These operation numbers represent tasks performed using the Mail Processing Bar Code Sorter (MPBCS), which is a machine used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 2: BCS/DBCS Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-12 to I-13. These operation numbers represent tasks performed using various forms of the Delivery Bar Code Sorter (DBCS) and the Carrier Sequence Bar Code Sorter (CSBCS), which are machines used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or

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prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 3: OCR/ Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-13 to I-14. These operation numbers represent tasks performed using the Multi Line Optical Character Reader (MLOCR), which is a machine used to process card-shaped and letter-shaped mail. These costs would generally not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 4: AFSM100 Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-14. These operation numbers represent tasks performed using the Automated Flats Sorting Machine Model 100 (AFSM100). These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 5: FSM/ Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-14 to I-15. These operation numbers represent tasks performed using the Flats Sorting Machine Model 881 (FSM881), which have all been removed from the postal mail processing network. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

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**Cost Pool No. 6: FSM/1000      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-15. These operation numbers represent tasks performed using the Upgraded Flats Sorting Machine Model 1000 (UFSM1000). These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 7: MECPARC      Classification: Proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-15. These operation numbers represent tasks performed using mechanized parcel sorting equipment, which are included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 8: SPBS OTH      Classification: Fixed**  
**Cost Pool No. 9: SPBSPRIO      Classification: Fixed**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, pages I-15 to I-16. These operation numbers represent tasks (e.g., flats bundle processing) performed using the Small Parcel and Bundle Sorter (SPBS) at MODS plants. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. These cost pools were therefore classified as fixed.

**Cost Pool No. 10: 1SACKS\_M      Classification: Proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using

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mechanized sack sorting equipment, which is included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 11: 1TRAYSRT Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using mechanized tray sorters and robotics equipment. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 12: MANF Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-16. These operation numbers represent tasks performed using manual flats cases. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 13: MANL Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-16 to I-17. These operation numbers represent tasks performed using manual letters cases. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 14: MANP Classification: Proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed using manual

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parcel operations, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 15: PRIORITY Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed using manual Priority Mail operations. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 16: LD15 Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-17. These operation numbers represent tasks performed by the Data Conversion Operator (DCO) "keyers." These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 17: 1CANCEL Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-17 to I-18. These operation numbers represent tasks performed in cancellation operations. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 18: DSPATCH Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks performed to prepare

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mail for dispatch. These costs were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 19: 1FLATPRP Classification: Fixed**

The 035 MODS operation number is mapped to this cost pool and can be found in USPS-LR-K-55, page I-18. This operation number represents the bundle opening and Flat Mail Cart (FMC) preparation tasks. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 20: 1MTRPREP Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks performed on meter belts. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 21: 1OPBULK Classification: Fixed**

**Cost Pool No. 22: 1OPPREF Classification: Fixed**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, page I-18. These operation numbers represent tasks performed in opening unit operations (e.g., tray sorting activities). These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. These cost pools were therefore classified as fixed.

**Cost Pool No. 23: 1OPTRANS Classification: Fixed**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-18. This operation number represents tasks required to weigh mail into

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the postal network. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 24: 1PLATFRM Classification: Proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, pages I-18 to I-19. These operation numbers represent tasks performed by postal dock employees, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 25: 1POUCHNG Classification: Proportional**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. These operation numbers represent tasks performed on pouch racks (e.g., parcel sorts), which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 26: 1PRESORT Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. These operation numbers represent tasks associated with the "cutting," or organizing, of presort mail based on the next operation, which were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 27: 1SACKS\_H Classification: Proportional**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation number represents tasks performed using manual sack sorting operations, which were included in the mail flow model. This cost pool was therefore classified as proportional.

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**Cost Pool No. 28: 1SCAN      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed during the preparation of mail for air transportation, which is a function of the class of mail and whether that mail has been entered locally. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 29: BUSREPLY      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in nixie and postage due operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 30: EXPRESS      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in Express Mail operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 31: MAILGRAM      Classification: Fixed**

The MODS operation number that is mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation number represents Mailgram tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for

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parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 32: REGISTRY      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in the Registry Section. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 33: REWRAP      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-19. The operation numbers represent tasks performed in rewrap and repair operations. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 34: 1EEQMT      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent tasks associated with empty equipment processing. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 35: 1MISC      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent various administrative tasks.

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These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 36: 1SUPPORT      Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. The operation numbers represent various administrative tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 37: INTL ISC      Classification: Fixed**

The methodology used to estimate ISC costs is described in USPS-LR-K-55, page I-3. This cost pool represents the tasks performed at International Service Centers (ISC). These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool 38: PMPC      Classification: Fixed**

The methodology used to estimate PMPC costs is described in USPS-LR-K-55, page I-3. This cost pool represents the tasks performed at Priority Mail Processing Centers (PMPC). These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

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**Cost Pool No. 39: LD41                      Classification: Fixed**

The methodology used to estimate cost pool LD41 can be found in USPS-LR-K-55, page I-3. The costs mapped to this cost pool represent those Customer Service tasks performed in Labor Distribution Code (LDC) 41. This LDC represents automated letters. These costs would therefore not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 40: LD42                      Classification: Fixed**

The methodology used to estimate cost pool LD42 can be found in USPS-LR-K-55, page I-3. The costs mapped to this cost pool represent those Customer Service tasks performed in LDC 42. This LDC represents mechanized letters and flats. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 41: LD43                      Classification: Proportional**

The methodology used to estimate cost pool LD43 can be found in USPS-LR-K-55, page I-3. The costs mapped to this cost pool represent those Customer Service tasks performed in LDC 43. This LDC represents manual letters, flats, and parcel sorting tasks, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 42: LD44                      Classification: Fixed**

The methodology used to estimate the LD44 cost pool can be found in USPS-LR-K-55, page I-3. The costs mapped to this cost pool represents those Customer Service tasks

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performed in LDC 44. This LDC represents post office box distribution operations.

These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 43: LD48 EXP    Classification: Fixed**

The costs mapped to this cost pool represent various administrative Express Mail tasks, which are performed in the Customer Service function. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 44: LD48 OTH    Classification: Fixed**

**Cost Pool No. 45: LD48\_ADM    Classification: Fixed**

**Cost Pool No. 46: LD48\_SSV    Classification: Fixed**

The costs mapped to this cost pool represent various other administrative tasks, which are performed in the Customer Service function. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. These cost pools were therefore classified as fixed.

**Cost Pool No. 47: LD49            Classification: Fixed**

The MODS operation numbers that are mapped to this cost pool can be found in USPS-LR-K-55, page I-20. These operation numbers represent tasks associated with the forwarding and return of mail. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

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**Cost Pool No. 48: LD79                      Classification: Fixed**

The MODS operation numbers that are mapped to these cost pools can be found in USPS-LR-K-55, page I-20. These operation numbers represent tasks associated with the acceptance and verification of mail. These costs were not included in the mail flow model and were therefore classified as fixed.

**Cost Pool No. 49: 1SUPP\_F1                      Classification: Fixed**

The costs mapped to this cost pool represent various mail processing administrative tasks. These costs would not be directly affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 50: NMO                      Classification: Proportional**

The costs mapped to this cost pool represent Non Machinable Outside (NMO) parcel operations performed at Bulk Mail Centers (BMCs), which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 51: OTHR                      Classification: Proportional**

The costs mapped to this cost pool represent various allied support operations performed at BMCs, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 52: PLA                      Classification: Proportional**

The costs mapped to this cost pool represent various allied platform operations performed at BMCs, which were included in the mail flow model. This cost pool was therefore classified as proportional.

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**Cost Pool No. 53: PSM                      Classification: Proportional**

The costs mapped to this cost pool represent Parcel Sorting Machine (PSM) operations performed at BMCs, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 54: SPB                      Classification: Proportional**

The costs mapped to this cost pool represent SPBS tasks performed at BMCs, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 55: SSM                      Classification: Proportional**

The costs mapped to this cost pool represent Sack Sorting Machine (SSM) operations performed at BMCs, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 56: ALLIED                  Classification: Proportional**

The costs mapped to this cost pool represent various allied operations performed at non-MODS sites, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 57: AUTO/MECH          Classification: Fixed**

The costs mapped to this cost pool represent automation and mechanization tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

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**Cost Pool No. 58: EXPRESS      Classification: Fixed**

The costs mapped to this cost pool represent Express Mail operations performed at non-MODS sites. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 59: MANF              Classification: Fixed**

The costs mapped to this cost pool represent manual flats sorting tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 60: MANL              Classification: Fixed**

The costs mapped to this cost pool represent manual letters sorting tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 61: MANP              Classification: Proportional**

The costs mapped to this cost pool represent manual parcels sorting tasks performed at non-MODS offices, which were included in the mail flow model. This cost pool was therefore classified as proportional.

**Cost Pool No. 62: MISC              Classification: Fixed**

The costs mapped to this cost pool represent various administrative tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or

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prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.

**Cost Pool No. 63: REGISTRY    Classification: Fixed**

The costs mapped to this cost pool represent Registry Section tasks performed at non-MODS offices. These costs would not be affected by mailer presorting and/or prebarcoding efforts for parcel-shaped mail and were not included in the mail flow model. This cost pool was therefore classified as fixed.