

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

Periodic Reporting  
(Proposal Ten)

Docket No. RM2020-2

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued July 23, 2020)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed November 29, 2019, the Postal Service is requested to provide written responses to the following questions.<sup>1</sup> Answers to each question should be provided as soon as they are developed, but no later than July 30, 2020.

1. As it relates to the computation of Postmaster cost variability, please confirm that, in both the existing methodology currently used by the Postal Service and the methodology proposed by the Postal Service in Proposal Ten, the Workload Service Credit (WSC) data from the EAS system do not include data related to post offices that are staffed by clerks (and not by Postmasters). If not confirmed, please explain.
2. As it relates to the total accrued cost used to compute Postmaster cost variability, please confirm that, in both the existing methodology currently used by the Postal Service and the methodology proposed by the Postal Service in Proposal Ten,

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<sup>1</sup> Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Ten), November 29, 2019 (Petition). The following were filed on November 29, 2019, in support of the Petition: Library Reference USPS-RM2020-2/1, Public Material Relating to Proposal Ten; Library Reference USPS-RM2020-2/NP1, Nonpublic Impact Material Relating to Proposal Ten. Additionally, the Petition was accompanied by a study supporting its proposal. See Michael D. Bradley, *Investigating the Variability of Postmaster Costs\**, November 29, 2019 (Bradley Study).

the computations do not include the salaries of clerks in charge of post offices and include only Postmaster salaries. If not confirmed, please explain.

3. Please refer to the responses to Chairman's Information Request No. 4, questions 1.a. and 1.b.<sup>2</sup>
  - a. Please confirm that the method described in Responses to CHIR No. 4, questions 1.a. and 1.b. implies that the decrease in WSCs will result in a decrease in Postmaster costs and that the percent decrease in Postmaster costs will be divided by the percent decrease in WSCs to yield a positive variability when the following is true:
    - i. Both the higher grade (EAS-21) and lower grade (EAS-20) of the EAS grade pair are included in the computation of Postmaster cost variability;
    - ii. The historical growth rate of WSCs is used in the computation of Postmaster cost variability; and
    - iii. The historical growth rate of WSCs is negative.
  - b. If not confirmed, please explain.
4. Please refer to responses to Chairman's Information Request No. 2, question 6.b. and the computation of the historical growth rates of WSCs.<sup>3</sup>

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<sup>2</sup> Responses of the United States Postal Service to Questions 1-2 of Chairman's Information Request No. 4, July 2, 2020 (Responses to CHIR No. 4); *see also* Chairman's Information Request No. 4, June 26, 2020 (CHIR No. 4).

<sup>3</sup> Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 2, January 29, 2020 (Responses to CHIR No. 2); *see also* Chairman's Information Request No. 2, January 17, 2020 (CHIR No. 2).

- a. Please confirm that the historical growth rates of WSCs presented in the table are based on the total WSCs for years 1979 and 2019 only, and that no other year's WSCs are included in the computation. If not confirmed, please explain.
- b. Please confirm whether yearly data associated with the total WSCs for the years 2000 through 2018 are available. If not confirmed, please explain.
- c. If question 4.b. is confirmed, please provide the total WSCs for each year between 2000 and 2019.
- d. If question 4.b. is confirmed, please discuss the appropriateness of the following time periods of historical growth in WSCs for use in the computation of Postmaster cost variability. In evaluating the appropriateness of each time period, please discuss the impact of factors that may affect the growth of WSCs, such as volume trends, or the economic, regulatory, and operational environment.
  - i. The computation of historical growth in WSCs from 2001 through 2019, using the yearly total WSCs for each year in that time period in order to compute the year-to-year WSC growth rate for the entire time period. In addition to discussing the appropriateness of the time period for use in the computation of Postmaster cost variability, please report in a table, for each EAS grade, the average and median WSC growth rates over the entire time period, along with the average annual growth rates based on only the starting year in the time period and the final year in the time period.
  - ii. The computation of historical growth in WSCs from 2007 through 2019, using the yearly total WSCs for each year in that time period in order to compute the year-to-year WSC growth rate for the entire

- time period. In addition to discussing the appropriateness of the time period for use in the computation of Postmaster cost variability, please report in a table, for each EAS grade, the average and median WSC growth rates over the entire time period, along with the average annual growth rates based on only the starting year in the time period and the final year in the time period.
- iii. The computation of historical growth in WSCs from 2011 through 2019, using the yearly total WSCs for each year in that time period in order to compute the year-to-year WSC growth rate for the entire time period. In addition to discussing the appropriateness of the time period for use in the computation of Postmaster cost variability, please report in a table, for each EAS grade, the average and median WSC growth rates over the entire time period, along with the average annual growth rates based on only the starting year in the time period and the final year in the time period.
  - e. For any of the time periods presented in question 4.d. of historical growth in WSCs that the Postal Service finds to be appropriate to use in the computation of Postmaster cost variability, please discuss the appropriateness of the following potential options for Postmaster cost variability calculations in future years:
    - i. computing a fixed variability of Postmaster costs based on the historical growth in WSCs for the selected time period and applying it each year until an alternative methodology is adopted in a future proceeding, or
    - ii. computing the variability of Postmaster costs and then updating the variability annually. This would be accomplished by adding each year's WSC growth to the original time period, annually expanding

the selected time period of historical growth in WSCs by an additional year.

5. Please refer to Responses to CHIR No. 4, question 2.h. and the responses to Chairman's Information Request No. 3, question 3.a.<sup>4</sup> In Responses to CHIR No. 4, question 2.h., the Postal Service states "[t]here is no elasticity of average cost defined in the Response to CHIR No. 3, question 3.a., so no such comparison can be made. Moreover, it is not clear what the elasticity of average cost is, or should be." See Responses to CHIR No. 4, question 2.h.
  - a. Please confirm that the calculated point elasticity of the estimated logit-form probability (39.6377), does not help compute the point elasticity of the average salary as discussed in Responses to CHIR No. 3, question 3.a.
  - b. If not confirmed, please compute the point elasticity of the average salary at the average value of the WSC for the Postmasters falling into the EAS-20 and EAS-21 grades.

By the Chairman.

Robert G. Taub

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<sup>4</sup> See Responses to CHIR No. 4, question 2.h.; Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 3, March 18, 2020 (Responses to CHIR No. 3); see also Chairman's Information Request No. 3, March 5, 2020 (CHIR No. 3).