

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

FIRST-CLASS MAIL AND PERIODICALS
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE INSTITUTIONAL
WITNESS (SHARON OWENS) TO GREETING CARD ASSOCIATION FOLLOW-UP
INTERROGATORIES TO UNITED STATES POSTAL SERVICE WITNESS OWENS
(GCA/USPS-2)
(June 1, 2021)**

The United States Postal Service hereby provides the responses of institutional witness Owens to Greeting Card Association Follow-up Interrogatories to United States Postal Service Witness Owens (GCA/USPS-2), issued on May 24, 2021. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony Alverno
Chief Counsel, Global Business & Service
Development

Jeffrey A. Rackow

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1101
(202) 268-6687
jeffrey.a.rackow@usps.gov
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GCA/USPS-2. Please refer to your response to GCA/USPS-1. In what follows, “purchased” transportation refers to costs reported under Cost Segment 14 in the Postal Service’s *Public Cost Segments and Components* report.

(a) Does the Postal Service employ a single cost-incurrence unit (e.g., ton-miles) to record the cost, for the First-Class Mail products listed under Cost Segment 14, of each of

- (i) Purchased domestic air transportation,
- (ii) Purchased domestic Alaska air transportation,
- (iii) Purchased highway transportation,
- (iv) Purchased rail transportation, and
- (v) Purchased domestic water transportation.

(b) If your answer to (a) is affirmative,

- (i) Please describe the unit employed for each mode listed in that part.
- (ii) With respect to each mode, may the unit employed for it be used to compare quantities of purchased transportation consumed as between different First-Class Mail products?

(c) If your answer to (a) is not an unqualified affirmative, please explain how the Postal Service calculates the costs reported under Cost Segment 14, for each mode, for each First-Class Mail product.

RESPONSE:

- a. No, there is not a single cost incurrence unit for First-Class Mail products for the cost components in Cost Segment 14.
- b. Not applicable.
- c. The Postal Service develops the costs for Cost Segment 14 by cost component (or mode, as noted in the question), reported in the Cost Segments and Components report, through a five-step process.

First, the purchased transportation costs by account from the general ledger (e.g., USPS-FY20-5) are categorized into homogeneous groups and summed. These homogeneous groups (e.g., commercial air, inter-area regular) are referred to as cost elements.

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Second, the appropriate volume variability, by cost element, is multiplied by its respective total costs. This step results in volume variable costs by cost element. The volume variability for each cost element measures the change in cost in response to volume changes.

Third, the volume variable costs by cost element are summed into similar groups (e.g., inter-Sectional Center Facility cost pool is the sum of inter-Processing & Distribution Center or Facility, inter-area, or inter-cluster cost elements) to form cost pools.

Fourth, distribution keys, by cost pool, based on relative measurements of the cost driver (e.g., pounds, cubic-foot miles), are applied to the volume variable costs to distribute the volume variable costs, by cost pool, to products. Within a particular cost pool, relative amounts of cost drivers can be used to compare the amount of purchased transportation consumed by product, including those products within First-Class Mail. However, these amounts are not comparable across cost pools because of the differences in the cost drivers and the differences in the cost per cost driver (e.g., the cost per pound may differ between two cost pools that both use pounds as the cost driver). In the CS14 table of the *FY 2020 Public Cost Segments and Components* report, volume variable costs are provided by cost

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component. A cost component may be comprised of multiple cost pools which utilize differing cost drivers to describe the comprised activities.

Fifth, the volume variable costs by cost pool by product are summed across cost pools within each cost component and are reported in Cost Segment 14 of the *FY 2020 Cost Segments and Components Report*.

The steps described above were executed in the purchased transportation cost model included in the 2020 Annual Compliance Report in folder USPS-FY20-32, workbook CS14-Public-FY20.