

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

PERIODIC REPORTING
(PROPOSAL SIX)

Docket No. RM2021-9

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(October 27, 2021)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 1, issued October 21, 2021.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. Please refer to Library Reference USPS-FY20-10 Excel file "USPS-FY20-10 FCM Letters Prop 6.xlsx" filed with the Petition.
 - a. Please confirm that the Bulk Machinable Metered model on tab "BMM COST" and the Nonautomation Machinable Mixed Automated Area Distribution Center (MAADC) letters model on tab "MACH MAADC COST" are identical except for the Premium Pay Adjustment Factor (Column I). If not, please describe all other differences between the models.
 - b. Please identify the source(s) of the entry points used in the proposed nonmachinable BMM model, shown in tab "BMM_NONMACH_MODEL" cells B6:Q12.
 - i. Please explain why the entry points for nonmachinable BMM are different than the entry points for nonmachinable MADC letters in tab "NMACH MADC MODEL."
 - ii. Please explain why the entry points for nonmachinable BMM are different than the entry points for nonmachinable single-piece letters in tab "SP NMACH MODEL."

RESPONSE:

- a. Confirmed.
- b. The source of the entry points shown in tab "BMM_NONMACH_MODEL" among all the choices in cells B6:Q12 (i.e., the assumption that 100 percent of this mail is entered in the outgoing primary manual operation) is operational knowledge. Even though not labeled as nonmachinable BMM, after visual inspection of nonmachinable mail, operations personnel would route the trays to the outgoing primary manual operation for manual sortation after this mail has been culled from other collection mail.
 - i. Nonmachinable BMM letters would consist of approximately 65 percent local destinating nonmachinable mail, along with mail for mixed states destinations, and which thus would be best suited for sortation in the outgoing primary manual operation. In contrast, the labels for NMACH MADC trays clearly state that the pieces within the tray are

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nonmachinable. Per DMM standards, nonmachinable MADC letters would be primarily comprised of mixed states destinations and be optimal for sortation in the outgoing secondary manual operation, since the local destinating nonmachinable mail would have been prepared in the nonmachinable ADC tray.

- ii. The rationale for the entry points in the SP NMACH tab was presented in Docket No. R2000-1 (Tr. 22/10162, beginning at line 16 and continuing to the top of the next page). The 75 percent automated / 25 percent manual split reflects the fact that some low aspect ratio single-piece letters can be successfully sorted on automation. In contrast, the category of nonmachinable metered mail letters is a conceptual benchmark. This mail cannot be sorted on automation because these mail pieces do not meet postal machinability standards.

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2. Please refer to Docket No. ACR2020 Library Reference PRC-LR-ACR2020-3, Excel file "PRC-FY20-FCM Letters.xlsx" tab "BMM COST" cell L43, which contains the current aggregated modeled cost for all BMM letters of 5.608 cents. The disaggregated modeled costs for BMM letters resulting from the proposal are 6.140 cents for machinable and 23.362 cents for nonmachinable (Petition at 4), each of which is greater than the modeled cost of both combined. Please explain this counterintuitive result, whereby the cost of the aggregated set of all BMM is not in between the costs of the two subsets of BMM being disaggregated.

RESPONSE:

In Docket No. RM2019-1, Proposal Eight, the Postal Service proposed the correction of the Delivery Barcode Sorter Input/Output Sub-System (DIOSS) operations' treatment of rejects to that of traditional OSS/ISS operations for treatment of pieces flowing to manual operations and to OSS operations. The Commission issued Order No. 4894 (November 28, 2018) approving this modification. This correction was not applied to BMM letters. As the Commission recognized in Question 1.a. of this Information Request, however, machinable BMM and MACH MAADC letters share identical mail flows. For this reason, the Postal Service believes that it is appropriate to extend the treatment approved in Order No. 4894 to BMM letters. The change in the treatment of DIOSS rejects in Docket No. RM2019-1 recognized that the composition of rejects included physical rejects, letters that would flow to manual operations, as well as letters that would flow to REC sites for image processing. The increase in the amount of mail processed manually caused the modeled BMM letter cost in Proposal Six (using all the other FY 2020 ACR inputs) to increase from 5.608 cents to 6.140 cents.

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The model "PRC-FY20-FCM Letters.xlsx" from Docket No. ACR2020, and all previous ACR Dockets, produced BMM estimates under the assumption that BMM letters were trayed and machinable, but were not barcoded or presorted. These models did not allow for the possibility that BMM was nonmachinable. The model presented in this docket does not disaggregate previous BMM estimates into BMM machinable and BMM nonmachinable mail, but rather, introduces the concept of nonmachinable BMM, which did not exist before. For the model that did exist before (i.e., BMM machinable), the new result (6.140 cents) is the same as under the existing FY 2020 ACR model, except for the incorporation of the Order No. 4894 enhancement described in the previous paragraph.