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POSTIE RATE COMMOSION OFFICE OF THE SECRETARY

BEFORE THE POSTAL RATE COMMISSION WASHINGTON, DC 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

DIRECT TESTIMONY OF PETER HUME ON BEHALF OF UNITED STATES POSTAL SERVICE

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EXHIBITS

Α.	Reclassified Unit Costs:	
	First-Class Mail	USPS-18A
в.	Reclassified Unit Costs:	
	Standard Mail	USPS-18B
C.	Reclassified Unit Costs:	
	Nonprofit Mail	USPS-18C

Direct Testimony of Peter D. Hume

4 <u>Autobiographical Sketch</u>

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5 My name is Peter Hume. I am a Vice President of Foster 6 Associates Inc., a Washington area consulting firm specializing in 7 the economics of regulated industries. Since joining that firm, I 8 have been responsible for a continuing series of studies for the 9 U.S. Postal Service. The general objective of these studies is to 10 improve the formulation of operating costs for purposes of postal 11 ratemaking.

12 I have previously testified before this Commission on behalf 13 of the Postal Service in Docket Nos. R76-1, R77-1, R84-1, and R87-1 on the development of city delivery street time costs, in Docket 14 15 No. R90-1 on the matter of "non-productive" time in mail processing, and in Docket Nos. MC95-1 and MC96-2 on delivery costs 16 after classification reform. In addition, I have supported postal 17 witnesses in these and other dockets. As a continuing contributor 18 to postal costing, I have designed and implemented nationwide data 19 20 surveys, including pilot testing, training of observer personnel, logistics management, data reduction, and presentation. This work 21 22 draws on my experience in simulation and modeling, which extends

- 1 -

1 from system design and analysis to the problems of field operation 2 and management and includes a practical understanding of the 3 economic factors underlying costing and ratemaking.

Elsewhere in my career as an operations analyst, I was 4 formerly with Planning Research Corporation and Westinghouse 5 6 Electric Corporation. In this work I focused on evaluating the 7 performance of large systems, especially information and communications systems. I have presented numerous technical papers 8 on these subjects. 9

I obtained a Masters degree in engineering from Johns Hopkins University and a Bachelors degree in physics from the University of Birmingham (England); I have completed additional studies in management, finance, and data processing. I am a member of Sigma Xi, the Institute of Electrical and Electronic Engineers, the Institution of Electrical Engineers (London, England), and the American Association for the Advancement of Science.

- 2 -

1 <u>Purpose</u>

This testimony describes the development of test year unit 2 costs of city carrier and rural carrier delivery functions by shape 3 and rate category: namely the FY98 unit costs (including 4 piggybacks) associated with Cost Segments 6&7 and Cost Segment 10 5 for First-Class and Standard A. The results are used by other USPS 6 witnesses in this filing in combination with the corresponding unit 7 costs of other cost segments to develop work-sharing discounts. 8 Similar reclassified unit costs were developed and presented in the 9 USPS filings for MC95-1 and MC96-2; this testimony is essentially 10 an updating of those developments to the new base year CRA. 11

12 Summary

13 <u>Methodology</u>: The present development follows the methodology 14 for modeling delivery costs of the previous classification reform 15 filings with three notable modifications:

16 (1) Data from the CCS (Carrier Cost System) are used in place
17 of ODIS data to determine the mail volumes actually handled by city
18 and rural delivery;

19 (2) A new cost element is introduced to account for the
 20 effects of DPS letter mail on base year (FY96) costs and thereby
 21 provide a basis for estimating DPS effects in the test year.

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- 3 -

1 (3) The "rural flats adjustment" (required in the CRA to 2 allow for differences in definition between the rural mail count 3 and the CCS) is readjusted in a more precise manner.

4 Items (1) and (3) are consequences of data availability. The 5 use of CCS for determining city carrier and rural carrier delivered 6 volumes (as distinct from non-carrier deliveries via directs, box 7 sections, and custom arrangements) is now possible due to recent 8 improvements in CCS statistical sampling procedures covering both 9 city and rural routes.

Regarding (2), the effects of DPS on delivery costs were 10 effectively zero for the base year FY93 but they are substantial 11 for the base year FY96. However, there are no available data that 12 measure how DPS "savings" (i.e., the cost reductions possible when 13 letters do not require individual casing by carriers) are actually 14 distributed among individual rate categories. The present 15 development uses the budgeted DPS savings over the period FY94 16 through FY96 in combination with the relative proportions of 17 carrier office time available from the LIOCATT tabulation to 18 provide an appropriate allocation of total savings among specific 19 rate categories for FY96. This allocation then provides a basis for 20 estimating the additional savings from the DPS levels expected for 21 22 FY98.

23 Modification (3) is a fortuitous consequence of (1) in that 24 this use of CCS data for rural carrier volume parallels the use of 25 the same CCS data for distributing rural carrier costs among rate 26 categories. With CCS a common source, it becomes possible to

- 4 -

compute the rural flats cost readjustment more precisely than when
 ODIS and CCS were separate, unrelated sources for rural carrier
 cost analysis.

Aside from the modifications just noted, the present methodology conforms to the descriptions already on record from my previous testimony, USPS-T-7 and USPS-T-2 of Docket Nos. MC95-1 and MC96-2, respectively.

<u>Results:</u> The principal results of this development are shown 8 9 in three exhibits, one each for (A) First-Class Mail, (B) Standard Regular, and (C) Standard Nonprofit. Each exhibit contains (1) a 10 table of the pertinent new rate category costs together with the 11 expected levels of DPS for the test year, (2) a map depicting the 12 development of the new costs in terms of cost elements derived from 13 the old (pre-reform) rate categories, (3) a table showing the 14 reformed cost elements for city delivery, (4) a table showing the 15 reformed cost elements for rural delivery, (5) a table showing the 16 cost elements for city and rural delivery combined, and (6) a table 17 showing how the unit costs are adjusted to reconcile in the test 18 year with the unit costs of the CRA rate categories. These 19 exhibits follow the formats established in USPS-T-7A and USPS-T-7E 20 of Docket No. MC95-1. 21

1 <u>Workpapers</u>:

2 Workpaper 1: Spreadsheet DISAGRR.WK3 printouts with 3 documentation 4 Workpaper 2: Spreadsheet DISAGNP.WK3 printouts with 5 documentation 6 Workpaper 3: Copy of part of FY96 LIOCATT and FY93 LIOCATT 7 Workpaper 4: Copy of Cost Segment workpapers WS 7.0.6.5, .6, and .7 8 Copy of Cost Segment workpaper WS 10.1.2 9 Workpaper 5: 10 Workpaper 6: Copy of pertinent pages of the BY96 CRA 11 Segments and Components Report.

12 Previous Methodology

In the MC95-1 and the MC96-2 filings I used essentially 13 14 similar spreadsheet models designed specifically to estimate the 15 test year unit costs of the "new" (i.e. reformed) rate categories, 16 together with the effects of DPS, based on costs and related 17 information embodied in the pertinent base year CRA. The inner workings of these models are described in MC95-1 USPS-T-7 and MC96-18 2 USPS-T-2. The following summary is copied verbatim from USPS-T-19 2. 20

"The [methodology] begins by establishing a set of "reform
 cost elements". These elements are derived from the existing

- 6 -

components of CRA Cost Segments 6, 7, and 10; they provide a basis for separating out the effects of different mail shapes and presort levels on the attributable costs of the various delivery functions.

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5 "Next, I note how "CRA unit costs" differ from "operating unit 6 costs". The former arise from combining the attributable costs 7 determined by the CRA econometric models with total (RPW system) volume; the latter arise from direct observation and 8 measurement or from work standards, and reflect the actual 9 cost of handling pieces. Dealing consistently with both CRA 10 11 unit costs and operating unit costs at the same time constitutes an essential part of my methodology. 12

"My testimony goes on to review the existing CRA segments and 13 14 components of city and rural delivery from the standpoint of the factors (especially shape and presort level) that are 15 explicitly recognized in the proposed reclassified rate 16 categories. In city delivery, differences in handling on the 17 18 basis of shape directly affect the attributable costs of office time and load time (as both are hands-on activities) 19 while the other city carrier street components, except for 20 support and overheads, are essentially unaffected. In rural 21 delivery, reclassified unit cost categories can be developed 22 directly from the existing CRA treatment, which relies on the 23 rural time standards. I then show how the reductions in unit 24 25 costs associated with Delivery Point Sequencing (DPS) are factored into the city delivery office elements and the rural 26 delivery time elements to reflect the expected proportions of 27 automation-compatible mail. My methodological presentation 28 ends with a discussion of rollforward (test year) cost 29 projections with particular regard to DPS implementation, 30 carrier wage rates, mail flow densities, and piggybacks." 31 (Docket No. MC96-2 USPS-T-2 at 2) - 32

- 7 -

The steps just described were applied in the previous filings 1 in substantially the same way to First-Class Mail, second-class, 2 and third-class mail in USPS-T-7 (MC95-1) and to second-class 3 4 nonprofit and third-class nonprofit mail in USPS-T-2 (MC96-2). The results were presented in a series of exhibits tabulating the unit 5 6 costs of each of the new rate categories together with the level of DPS expected for that category in the test year. 7 Other tables 8 showed the relationships between the final rate category unit costs 9 and the CRA-based cost elements underlying them. In addition, further exhibits were provided containing detailed descriptions of 10 11 how the spreadsheet methodology applied to particular rate categories as illustrative examples. 12

13 As already noted, the present cost development retains virtually the same format of spreadsheets and exhibits. As before, 14 cost elements are derived from the old CRA rate categories for Base 15 Year FY96 and restructured to obtain the new rate categories for 16 Test Year FY98. An essential feature of the cost elements is that 17 18 they separate delivery costs by mail shape, thereby enabling DPS 19 effects to be applied to letter costs but not to non-letter costs. 20 Also as before, the roll-forward includes wage-rate adjustments and piggybacks. Finally, the new-category unit costs are adjusted to 21 22 reconcile with the corresponding test-year costs. With the details 23 of my previous filings available from the record, the remainder of this testimony will focus on the modifications incorporated into 24 25 the present development and a presentation of the FY98 test-year 26 results.

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1 <u>Modifications</u>

As noted above, the present development differs from that of the previous filings with respect to (1) CCS data, (2) DPS effects, and (3) rural flats.

5 CCS Data: Data from the CCS are customarily used in the CRA 6 only as a basis for distributing city carrier and (separately) rural carrier attributable costs to individual rate categories. 7 8 The CCS was originally intended for this purpose, recognizing that 9 city delivery and rural delivery each deal only with their own 10 characteristic mailstreams which may well differ in composition 11 from the total mail volume as measured by the RPW system. As can 12 be seen from Figures 1 and 2 (two pages each copied from Sheets Q 13 and R of my Workpaper 1), the current city, rural, and RPW volumes 14 differ appreciably in rate category composition as well as in total 15 volume.

In the previous filings, ODIS data were used to determine the 16 city and rural volumes of the rate categories of concern because, 17 at that time, the statistical design of the CCS was aimed at 18 distribution 19 obtaining representative data rather than 20 representative volume data. Following recent statistical system design changes, the CCS now provides both volume and distribution 21 data for letter, flat, and parcel shape mail on the same 22 representative basis. This has eliminated certain distortions in 23

- 9 -

the unit costs associated with city or rural delivery that resulted from using two essentially independent sampling data systems to compute them. Moreover, billing determinants too were sometimes used to distinguish letter and non-letter shapes. The present exclusive use of CCS has simplified the workpapers and afforded improvements to the rural flats adjustment, as described below.

7 CCS data are implemented in the present development by 8 extracting the pertinent columns of rate-category figures directly 9 CCS city data come from from the cost segment workpapers. GOVTADJ.XLS and CCS rural data come from RDGOVTADJ.XLS. 10 The results of these extractions are contained in Sheet Q and Sheet R 11 12 respectively of my Workpaper 1; similar sheets are also contained in my Workpaper 2. 13 Columns in each of these sheets show the percentages by rate category of total (RPW) volume that is 14 15 represented by the city and rural volumes. This percentage, called 16 the "density" in the previous filings, plays an important part in 17 my cost development.

18

<u>DPS Effects:</u> Since one of the main purposes of classification reform is to realize the cost reduction potentials of DPS, the cost development methodology pays particular attention to estimating the "savings" in delivery costs with respect to specified levels of DPS in the city carrier and rural carrier letter mailstreams.

The DPS savings for a given percentage of DPS were computed in the previous filings as the weighted mean of two cost elements, one representing 100 percent DPS and the other representing zero DPS.

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- 10 -

The zero DPS cost was derived directly from the base year CRA cost 1 and volume figures, which was possible because 2 there was essentially no DPS in delivery in FY93. The 100 percent element 3 was obtained by "factoring" the office cost to reflect the 4 anticipated productivity under DPS procedures 5 (see, for explanation, Docket No. MC95-1, USPS-T-7 at 16 and Docket No. MC96-6 7 2, USPS-T-7C at 2). Thus, for example, delivery cost elements of 3.0 cents and 5.0 cents per piece with and without DPS lead to a 8 unit cost of 4.0 cents per piece with a DPS proportion of 50 9 percent and the effective DPS savings is 1.0 cents per piece. 10

This method does not work properly with the present CRA data 11 because DPS is now extensively implemented and the FY96 base year 12 embodies a substantial amount of savings. While this amount is 13 well known on a local basis and the savings are evident from 14 contemporary work-hours statistics, there are no data on the 15 16 distribution of DPS levels or the relative amount of savings among rate categories. Apparently, the FY96 base year does not provide 17 a zero DPS basis to relate costs to specific DPS proportions in the 18 same way as the FY93 base year. To apply the two-element, with-and-19 without DPS approach, we need a better quantified base year. 20

The present development resolves this issue by introducing a new delivery cost element. The "DPS Savings Returned" element is added to the existing base year city delivery CRA elements (office direct, office support, load time, and so on) in amounts appropriate to each affected rate category to represent the extra cost when the pertinent DPS savings are excluded. The pertinent

- 11 -

1 savings are the cost-level adjusted, cumulative total, budget 2 amounts recognized from FY93 through FY96. This total is then 3 distributed among the rate categories affected by DFS on the basis 4 of the relative proportions of office direct labor for those 5 categories, as obtained directly from the FY93 LIOCATT.

For an example of DPS Savings Returned, consider the CRA figures for Third Class bulk rate Other (figures obtained from Sheet I-1 of my Workpaper 1), as follows:

3	brr Other (\$000)	3brr Ltrs
Office Direct	413,386	221,646
Office Overhead	79,504	-
Elem Load	172,709	82,227
DPS Savings Returned	64,951	64,951
Access	21,862	-
Route	16,498	_
St Support	105,645	-
Total 6&7	809,641	-
CCS Pieces	16,674,971	10,700,702
	3. Office Direct Office Overhead Elem Load DPS Savings Returned Access Route St Support Total 6&7 CCS Pieces	3brr Other (\$000) Office Direct 413,386 Office Overhead 79,504 Elem Load 172,709 DPS Savings Returned 64,951 Access 21,862 Route 16,498 St Support 105,645 Total 6&7 809,641 CCS Pieces 16,674,971

19 The DPS Savings Returned element for 3brr Other is evidently about 16 percent of Office Direct costs for all shapes and over 30 20 21 percent of Office Direct letter costs. In accordance with my methodology, the element is applied only to the letter-related 22 As a result, the (FY96) base year 3brr letter cost 23 costs. 24 (\$221,646) becomes, with the DPS Savings Returned element included 25 (and therefore with the cumulative effects of DPS productivity increases since FY93 nullified), \$286,597. Given the CCS letter 26 volume (10,700 million), the corresponding unit costs are 2.071 and 27

- 12 -

2.678 cents. The 2.678 cents is thus the direct labor 3brr letter
 cost that would be experienced in FY96 had there been no previous
 DPS program; it provides a practical starting point for determining
 FY98 test year costs on the basis of future levels of DPS
 implementation, as follows.

The total actual unit cost (i.e., office and street activity 6 elements combined) corresponding to the 2.678 cents is 4.437 cents 7 while the equivalent cost for handling DPS letters is 1.977 cents 8 (see Sheet I-2 of my Workpaper 1). The DPS letter figure is 9 obtained by substituting ("factoring", as noted above) the actual 10 direct letter cost with a value corresponding to a productivity of 11 83 pieces per minute and specifically excluding the DPS Savings 12 Thus the full potential DPS saving for 3brr is Returned element. 13 2.46 cents per DPS letter. The amount of this potential realized 14 in the test year depends directly on the projected test-year level 15 of DPS, following the method explained in my previous testimony. 16

DPS savings are treated in the manner just described for all 17 the rate categories affected by DPS implementation through FY96: 18 First-Class single piece letters, First-Class presort letters, 19 single piece cards, presort cards, third-class bulk regular, and 20 third-class bulk nonprofit. Where a category includes shapes other 21 than letters, costs are first disaggregated by shape and then the 22 DPS Savings Returned element is applied only to the letter cost 23 component of the development. As already noted, the DPS Savings 24 Returned element is excluded when determining the costs directly 25 associated with DPS handling. 26

- 13 -

The rural flats adjustment is Rural Flats Adjustment: 1 necessary in the CRA because the rural mail count defines "flats" 2 differently from the statistical data systems used for the CRA (see 3 Docket No. MC95-1, USPS-T-7 at 19 and Docket No. R94-1, USPS-T-4. 4 5 Barker Workpaper 10.0.3). With regard to the FY96 CRA, this 6 adjustment causes about 15 percent (1 - 0.85337) of the letters as determined by the rural carrier mail count to be costed as flats 7 8 under the rural route standards. The pertinent computations can be 9 seen in columns (j) through (r) of Figure 2 (copied from Sheet R of 10 my Workpaper 1), which has been edited from the CRA worksheet RDGOVTADJ.XLS. A readjustment is necessary if unit costs are to be 11 12 properly determined with respect to CRA volumes.

In the previous filings, such a readjustment was made by a 13 14 simple ratio correction to the ODIS rural volume figures. As already indicated, the present development relies exclusively on 15 CCS data to disaggregate the existing CRA rural carrier costs into 16 letters and flats components. This provides an opportunity to 17 18 improve the flats readjustment, as shown for 3brr in the following With reference to Figure 3 (part of Sheet I of my 19 example. Workpaper 1), the distributed rural carrier costs for 3brr are at 20 21 line 125, columns (i) through (m). These costs are taken directly from cost segment worksheet ws 10.1.2 (copied herewith as my 22 The letter cost (65,201) results from the letter 23 Workpaper 5. distribution vector after the flats adjustment. The actual letter 24 cost, however, is 97,242, shown at line 126, column (i), obtained 25 by "undoing" the flats adjustment factor (0.85337). This figure 26

- 14 -

results from adding the cost of the 15 percent-odd letters that 1 were costed at the rate of flats. The flats rate is found (from 2 3 the pertinent distributed cost figures and CCS volumes) to be 2.86 4 times the letter rate (found in the same way). The cost, 32,041 (97,242 - 65,201) that is so added to the letter column is 5 subtracted from the distributed flats cost (at 125j) to obtain 6 147,222 (179,263 - 32,041). Finally, line 127 shows the results of 7 8 allocating the distributed boxholder (at 125,1) equally between letters and flats and adding the DPS costs (at 125,m) to letter 9 10 costs. The letter, flat, and parcel costs in line 127 are used to determine the 3rr unit costs of rural delivery. 11

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CCS City Data

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Extracted from GOVTADJ Worksheet

- 16 -

Line										
NO.	CI 455		COS Total C							
	(d)	IOTAL FIEUES					11.5	Single Delivery He	sidentia	
	(0)	0	(9)	(1)	(1)	(U	(K)	(m)	(n)	(0)
					Ltr	Flt	Pcl	Ltr	Flt	Pcl
1 1	FIRST-ULASS MAIL:									
2	LIHS & PAHCELS	54,150,759	22,728,303	42.0	20700864	1869652	157787	10,449,395	705,481	88,971
3	PHE, LINS & PANCELS	36,213,548	23,856,525	65.9	23494141	352481	9903	15,301,767	180,692	6,670
4	CANNIER PRESONT LIRS	2,843,645	0	0.0	0	0	0			
5	ZIP+4FIRSI	0	0	00	0	0	0			
6	TOTAL PRESORTED	39,057,193	23,856,525	61.1	23494141	352481	9903	15,301,767	180,692	6,670
7	POSTAL CARDS	454,006	107,702	23.7	107702	0	0	58,456	0	0
	PRIVT MAILING CARDS	2,598,099	1,560,046	60.0	1560046	0	0	999,703	0	0
8	PRESORT PRIVT CARDS	1,639,197	1,017,166	62.1	1017166	0	0	719,759	0	0
9	CARR PRESORT CARDS	316,820	0	0.0	0	0	0			
10	ZIP+4 FIRST		0	0.0	0	0	0			
	TOTAL PS PRV CARDS	1,956,017	1,017,166	52.0	1017166	0	0	719,759	0	0
11	TOTAL FIRST	98,216,074	49,269,742	50.2	46879919	2222133	167690	27,529,060	886,173	95,641
12			0	0.0	0	0	0			
13	PRIORITY	937,273	377,606	40.3	9283	184458	183865	6,712	61,069	95,563
14	EXPRESS	57,573	9,637	16.7	1095	7246	1296	782	3,006	615
15	MAILGRAM	4,204	3,195	76.0	3195	0	0	2,041	. 0	0
16			0	0,0	0	0	0	,		
17	SECOND-CLASS MAIL:		0	0.0	0	0	0			
	WITHIN COUNTY	877,829	534,293	60,9	85150	445295	3848	66,361	288,147	2,492
18	OUTSIDE COUNTY		0	0.0	0	0	0			-,
19	REGULAR RATE	6,984,301	4,251,011	60.9	677476	3542916	30619	527,987	2.292.591	19.829
20	NONPROFIT PUBL	2,205,180	1,342,188	60,9	213902	1118618	9668	166.703	723.848	6.261
21	CLASSROOM PUBL	58,885	35,839	60,9	5711	29870	258	4,451	19.329	167
22	TOT, PUBLISHERS	10,126,194	6,163,333	60,9	982240	5136700	44393	765.503	3.323.915	28,749
23	TOTAL SECOND	10,126,194	6,163,331	60.9	982239	5136699	44393	765.502	3.323.915	28,749
24			0	0.0	0	0	0	•		
25	THIRD+CLASS MAIL:		0	00	0	0	0			
26	SINGLE-PIECE RATE	145,807	24,608	16.9	8582	7710	8316	6.521	5.586	6.181
	BULK RATE - BASIC	5,778,422	16,674,971	288.7	10700702	5641798	332471	7.121.636	3,405,066	242 829
27	- CARR BT	29,180,737	19,919,169	68.3	10218604	9660154	40411	7.556.590	6,844,230	31,036
28	- 3/5-DIG PRSRT	24,374,086	· · ū	Û,Û	Û	Û	Ū	. 11+	01011200	01,000
29	TOTAL REGULAR	59,331,244	36,594,140	61.7	20919306	15301952	372882	14.678 226	10 249 296	273 865
30	BULK RATE - NONPROF-BASIC	2,966,936	5,416,163	58.2	4503719	869321	43123	3 225 051	568 625	37 852
31	- CARB BT	2 908 617	1.318.345	45.3	1008963	303789	5593	691 563	200 503	3 478
32	- 3/5-DIG PRS8T	6.333.530	0	0.0	0	0	0	000,000	200,000	0,470
~-		12 209 084	6 734 508	55.2	5512682	1173110	48716	3 018 814	760 109	41 339
33		12,600,004	0,101,000	00.2	0012002		407 10	0,010,014	109,120	41,328
	IOTAL IHIHD	71.686.135	43.353.256	60.5	25440570	16482772	429914	18 601 981	11 024 010	321 374

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Figure 1-a

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						Une
Multiple Delivery Re	asidenti <i>a</i> i		Business and M	red		NO.
(q)	(r)	(5)	(u)	(V)	(w)	
					.,	
Ltr	FN	Pcl	Ltr	Fli	Pcl	
3 030 945	226 590	22 832	7 220 524	027 501	45.094	1
4,743,567	56 712	1 390	3 448 807	115 077	1843	2
		.,	0,440,001	110,077	1,040	4
						5
4,743,567	56,712	1,390	3,448,807	115,077	1.843	6
30,070	0	0	19,176	, o	0	7
264,009	0	0	296,334	0	0	
177,377	0	0	120,030	0	0	8
						9
						10
177,377	0	0	120,030	0	0	
8,245,968	283,302	24,222	11,104,871	1,052,658	47,827	11
010	01.140					12
910	21,146	26,726	1,661	102,243	61,576	13
106	1,135	184	155	3,105	497	14
404	U	U	670	0	0	15
						16
10 775	73 013	486	6.014	93 335	970	17
12,710	, 0, 810	400	0,014	03,233	870	19
101.641	588.078	3.866	47 848	662 247	6 924	10
32,092	185.676	1.221	15 107	209 094	2 186	20
857	4,958	33	403	5,583	58	21
147,365	852,625	5,605	69,372	960,160	10.039	22
147,365	852,625	5,606	69,372	960,159	10,038	23
						24
						25
980	808	1,091	1,081	1,216	1,044	26
1,847,057	921,768	59,276	1,732,009	1,314,964	30,366	
2,279,985	2,262,406	7,736	362,029	553,518	1,639	27
4 4 9 7 9 4 9						28
4,127,042	3,184,174	87,012	2,114,038	1,868,482	32,005	29
714,072	139,133	2,772	564,596	161,563	2,499	30
200,313	76,104	2,052	117,087	25,122	65	31
614 29E	317 307	4 9 7 4	as (403.037		32
5 042 407	3 402 379	4,024	2 706 902	2 050,001	2,004	20
5,042,407	0,302,013	12,321	2,190,602	2,000,003	22,013	33

CCS City Data Extracted from GOVTADJ Worksheet

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	CCS Rural Data	Extracted from	RDGOVAD)J Worksheet			-	18 -
	(c)	(ə)	(1)	(g)	(I)	(D	(k)	(1)
No.	rdooyadi (ed 128)			Burei	F	Y95		Adjusted
		RPW	CCS/RPW	Total CCS	\$\$/1r	Pre-adid	Distd	PreLtrs
		Total		Pieces		Letters	\$\$Ltr	0.85337
1	LTRS & PARCELS	54,150,759	13.2	7163985	0.018	6,348,432	116103	5,417,589
2	PRE, LTRS & PARCELS	36,213,548	20.7	7507227	0.019	7,168,204	137481	6,117,139
3	CAR PRESORT LETTERS	2,843,845	13.1	372791		349,030		297,852
4	ZIP+4 FIRST	0	0.0	0		, O		Ó
5	TOTAL PRESORTED	39,057,193	20.2	7880018	0.018	7,517,234	136494	6,414,991
6	GOV'T POST CARDS	454,006	9.3	42417		42,417		42,417
7	PRIVATE CARDS	2,598,099	23.8	619180	0.021	615,117	13184	615,117
8	PRESORT PRIV CARDS	1,639,197	21.6	354197	0.024	353,285	8435	353,285
9	CARR PRESORT CARDS	316,820	12.7	40374		40,252		40,252
10	ZIP+4 PRIV CARDS	0		0		0		0
11	TOTAL PS PRV CARDS	1,956,017	20.2	394571		393,537		393,537
12	TOTAL FIRST	98,216,074	16.4	16100171	0.019	14,916,737	277072	12,883,630
				0				
13	PRIORITY MAIL	937,273	11.1	104114	0.018	2,483	45	2,119
14	EXPRESS MAIL	57,573	Q.Q	0		0		0
15	MAILGRAM	4,204	7.7	325		325		325
				0		_		
16	SECOND-CLASS MAIL:			0		0		0
17	WITHIN COUNTY	877,829	0.0	0		_		0
18	OUTSIDE COUNTY			0		0		0
19	OTHER REGULAR HATE	6,984,301	0.0	0				0
20	2ND NONPHOFT	2,205,180	0.0	0				0
21	CLASSHOOM	58,885	0.0	0				0
22	TOT, PUBLISHERS	10,126,194	28.6	2895295		297,675		254,027
23	TOTAL SECOND	10,126,194	28.6	2895285		297,675	5446	254,027
24								
24		145 007	6 9	0070		2 017		0 746
20		5 778 400	00	9910		3,217		2,745
20		2,770,422	21.1	6155951	0.019	1 895 910	22280	1 557 807
27		29,100,737	21.1	6783014	0.018	1,625,310	55362	1,00/,007
20		ED 221 044	21.0	10000765	0.010	5,000,007	05201	3,042,237
29		2 066 076	21.0	12939703		2'280'581		4,388,924
21		2,000,000	12.6	363170		109 921		180 669
20		2,800,017 8 333 530	16.0	1700/20		1 20,021		1 110 624
32		12 200 084	177	2182802		1,501,407		1 290 203
34		71 886 125	21.1	151102002		A 803 803		5 882 072
34		11,000,100	E 1-1	0112040		0,000,002		3,002,312

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Figure 2-a - 18 -

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	CCSRural Da	ta í	Extracted from	n RDGOVA	DJ Workshe	et			
	(n)	(0)	(p)	(q)	(r)	(s)	(1)	(v)	
			F Y 95		F Y95		FY95	FY95	
\$\$/adjltr	Diffrn	Distol \$\$ Fit	Pre-adj Flats	\$\$/adilit	Post-adj Flats	Filis Factor	Pelsd	Bxhdr	
0 0214	930,863	87828	748,470	0.0523	1,679,333	2.860	58,206	10.877	1
0.0225	1,051,065	76195	334,061	0.0550	1,385,128	2.868	1,134	3,828	2
	51,178		20,787		71,965		118	2,858	3
	0		0		0		0	0	4
	1,102,243	99315	354,848		1,457,091		1,252	6,684	5
	0		0		0		0	0	6
0 0214	0		0		0		0	4,063	7
0.0239	0		0		0		0	912	8
	0		0		0		0	122	9
	0		0		0		0	0	10
	0		0		0		0	1,034	11
	2,033,107	203428	1,103,318		3,136,425 0		57,458	22,658	12
0.0212	364	1897	35,961	0.0522	36,325	2,882	65,609	61	13
	0		0		0		0	0	14
	0		0		0		0	0	15
					0				
	0		Q		0				16
	0				0				17
	0		0		0				18
	0				0				19
	0				0				20
	0				0				21
	43,648		2543919		2,587,567		8,564	45,137	22
	43,648	135319	2543919		2,587,567 0		8,564	45,137	23
	470		4 6 4 9		U 5 005			_	24
	472		4,013		5,085		2,148	0	25
0.0214	267 642	160242	2708405	0.050	0	0.050			26
0.0214	207,043	170062	2796490	0.052	3,066,138	2 859	2,422	1,529,624	27
0.0214	322,730	179203	2803243	0.052	3,427,973	2,859	142,683	171,001	28
	190,313	339000	5703730	0,052	0,494,111		145,105	1,700,825	29
	20 162		116 602	0.000	144 746			10.000	30
	20,100		110,083	0.012	144,740		369	48,389	31
	190,033		400,3/8 502,074	0.047	009,211		5,784	23,801	32
0.0504	1 010 800 1 010 800		000,300 6,000,000	0.058	803,955		6,153	72,190	33
0.0034	1,010,030		0,292,322	0.626	7,303,152		153,406	1,772,815	34

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			Rur	al Flate	Re-adjust	ment				
			(g)	(h)	0	())	(k)	(I)	(m)	(n)
120.	Llocatt 1340 etc		FY96>>		Lir 191950	Fli 152612	Pcl 13439	Total 358001		
121.	ws 7.0.6 \$\$		FY96>>		79262	49448	37771	166481		
122.	Rural Disagg									
123.	ws 10.1.2 \$\$		Ruri Ltr/It adjst ty96>>		Ltr	Fit	Pcl	Bxh	dps	Total
125.			2.86 ws 1	0.2 \$\$>>	65201	179263	16928	4785	6983	277160
126. 127.			0.85337 re—	ad]\$\$\$>> +dpsLtr	97242 108617	147222 149615	18928			
			1154	l =	(I 153*(1–G 15	54)/G154)*G	153+1153			
Th	ntd Class Regular & DPS	90	Pct FullUp		I -4					

Figure 3

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EXHIBIT USPS-18A

Reclassified Unit Costs: First-Class Mail

A-1 Reform Cost Elements Map

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- A-2 Reform Cost Elements for City Delivery
- A-3 Reform Cost Elements for Rural Delivery
- A-4 Reform Cost Elements for City & Rural Delivery

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A-5 Reclassified Unit Costs

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A-6 Reconciliation of First-Class Mail Categories

rab 30		TABLE A - 1	REFORM	COST ELEMI	ENTS MAP:	FIRST-CLA	SS MAIL			USI Pag	PS-18A je 1 c/6	
				E	Edisting CRA	A First Class	Calegories					
Recla	assified Calegories		Letters &	Parcels		Prat L&P	÷	Pati&Pv	1 Cerds	Pre	eort Cerds	
FIRST-CLA	SS MAIL (e)		181 L&P (a)	DPSL&P (h)	LUTSI (I)	0PS (1)	⊢lats (k)	Cerds (I)	DPSCds (m)	nonCri (n)	01 (0)	DPS (p)
				• • •	.,				1	(1)	(0)	(P)
Belai 1	l Single Plece Lirs & Flats		a	k								
2	Single Piece Cards							b	ł			
3	Presont Letters				с	h	d					
4	Presont Cards										1	9
ProB	arcoded											-
5	Basic Letters				с	ከ						
8	Basic & 3/5-Digit Flats						ł					
7	Basic Cards									•	t i	g
8	3-Digit Letters				c	h						
9	3-Digit Cards									9	t	9
10	5-Digit Letters				c	h						
11	5-Digit Cards									9	t	9
12	Crite Letters				c	h						
13	Crie Cards									•	t	g
				Call Balacona	`•		en P	a Cullio V	aluga			

		00011000	0,00		11 Gliop Fas	140		
	Source Sheet	City	Aural	City	Rural	Total	City	Aural
					cente		de	naity
а	Retait Letters, Retail Cards	c: <u>9</u> 80	c g 126	5 487	0.650	6.137	0.402	0.127
b	Retail Letters, Retail Cards	c:k80	c:k 126	4.633	0.753	5.386	0.526	0.209
С	DPS Letters, DPS Cards	t:g80	l:g126	4.459	0.854	5.313	0.618	0.204
d	Retail Prot Letters, Flats, Pols	e:k80	e:k126	4.526	0.669	5.215	0.618	0.204
e	Retail Presont Cands	d:k80	d:k 126	3.097	0.705	3.802	0.523	0.203
1	Retell Presort Cerds	d:g80	d:g126	2,476	0,705	3.180	0.523	0.203
g	DPS Letters, DPS Cards	t:m82	1:m 128	1.952	0,527	2.579	0.523	0.203
ĥ	DPS Letters, DPS Cards	1:182	1:1128	2.588	0,747	3.335	0.618	0.204
1	Retail Prot Letters, Flats, Pols	e:m80	e:m126	4.212	0,678	4.890	0.618	0.204
Ŕ.	Retail Letters, Retail Cards	c:182	c:1128	2.735	0,562	3.295	0.402	0.127
I	Retail Letters, Retail Cards	c:m82	c:m128	2.657	0,667	3.325	0.526	0.209

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rab 92	disagm6	TABLE A-2	REFORM	OST ELEME	NTS FOR C		IY: FIRST-0	CLASS MAI	L	US Pe	iPS-18A de2ol6	
(CITY DELIVERY	90 Percent of Fu	uli Up	E	dating CRA	First Clase C	alegpries					
1	Reciassilled Calegories		Leiter 8 &	Parcels		Prst L&P		Petl&Pvt	Cerds	Pro	eort Cerda	
	-		1st L&P	DPS L&P	Lts	DPS	Flate	Cards	DPS Cds	nonGrt	Cri	DPS
FIRST-	-CLASS MAIL	(e)	(g)	(h)	(I)	(D	(K)	(1)	(m)	(n)	(o)	(p)
1	Retail											
1	Single Plece Lts &	Flats	5.487 0.402	2.735								
2	Single Piece Cards	5	•					4.633	2.657			
2a	3							0.525	0.526			
3	Presort Letters				4.459	2.588	4.528					
3a					0.618	0.618	0.009					
4	Presori Cerde									3.097	2.476	1.952
4a										0.523	0.523	0.523
	PreBarcoded											
5	Basic Letters				4,459	2.588						
5a					0,616	0.618						
6	Basic & 3/5-Digit	Flads					4.212					
6a							0.618					
7	Basic Cards									3.097	2.476	1.952
7a										0.523	0.523	0.523
6	3-Digit Letters				4.459	2.566						
8a					0.010	0.010						
. 9	3-Digit Cards									3,097	2.470	1,952
9a					4 460					0.523	0,523	0,523
10	5-Digit Letters				0.618	2.000						
10a	C. Dials Canda				0.010	0.010				3 007	9 478	1.069
11	5~Digit Caros									0.523	0.523	0.523
Ha Ia					4 459	2 588				0.020	0.020	0.020
12	Crie Leiters				0.618	0.618						
128	Cate Conda				0.070	0.010				3 097	2 476	1 052
130	Cille Cards	Coll Entries	ſ	Unil Cost						0.523	0.523	0.523
138		Cert Endles	(Densly)						0.010	0.020	0.023

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rab 132	2	TABLE A-3	REFORM COST ELEMENTS FOR RURAL DELIVERY: FIRST-CLASS MAIL						AIL	USPS - 18A Page 3 of 6		
	RURAL DELIVERY	90 Percent of Fu	ıll Up	Exds	ting CRA	First Class C	ategpries				•	
	Reclassified Categories		Letters &	Parcels		PratL&P		Pati&Pvi	Cerda	Pr	eeort Carde	
			161 L&P	DPSL&P	Ltre	DPS	Flats	Cerda	DPS Cds	nonCrt	QI	DPS
FIRST	-CLASS MAIL	(e)	(g)	(h)	(1)	()	(k)	())	(m)	(n)	(o)	(q)
	Retail											
1	Single Piece Lins	& Flats	0.650	0.562								
ia	-		0.127	0.127								
2	Single Piece Car	ds						0.753	0.667			
2a								0.209	0.209			
3	Presort Letiers				0.854	0.747	0.689					
3a					0.204	0.204	0.009					
4	Presort Cards									0.705	0,705	0.627
4a										0.203	0.203	0.203
	PreBarcodeo											
5	Basic Letters				0.854	0 747						
5a					0.204	0.204						
6	Basic & 3/5-Dig	lt Fleis					0.676					
6a							0.204					
7	Basic Cards									0.705	0.705	·0.627
7a										0.203	0.203	0.203
8	3-Digit Letters				0.854	0.747						
8a					0.204	0,204						
9	3-Digit Cards									0.705	0.705	0.627
9a										0.203	0.203	0.203
10	5-Digit Letters				0.854	0.747						
10a	I				0.204	0.204						
11	5-Digit Cards									0.705	0.705	0.627
11a										0.203	0.203	0.203
12	Crie Letters				0.854	0.747						
12a	I				0,204	0.204						
13	Crte Cards		-							0.705	0.705	0.627
13a	I	Cell Entries:	(CHA Unii Cosi) Denelty FY95)						0.203	0.203	0.203

rab 172	di sag r6	TABLE A-4	REFORM	COST ELEME	NTS FOR C	hty+rural	DELIVERY:	FIRST-CL	ASS MAIL	US Pa)PS 18A Ide 4 of 6	
CITY+RUR#	N, DEUVERY	0 Percent of Fu	ill Up	Ð	dating CRA	First Class C	ategpries				•	
Recia	assilied Categories		Leiters& 1sil&P	Parcels DPSI&P	i tra	PraiL&P DPS	Fiata	Peti&Pvt Gerda	Cerda DPS Cda	Pro mnQu	aeort Cerde Ort	DPS
FIRST-CLA	SS MAIL	e)	(g)	(h)	()	()	(k)	(1)	(m)	(n)	(0)	(p)
Retal	r											
1	Single Plece Lrs & Fi	ais	6.137 0.600	3.296 0.400								
2	Single Piece Cards							5.386	3.325			
2a 3	Presort Letters				5.313	3,335	5.215	0.000	0.000			
3a 4	Presort Cards				0.410	0.000				3,802	3,180 0,410	2.579
4а Рте8	ercoded									0.410	0.410	0.380
5 5a	Basic Letters			0.483	5,313 0,190	3,335 0 810						
6 6	Basic & 3/5-Digit Fi	13					4.890					
7 7	Basic Cards									3.802	3.180	2.579
/a 8	3-Digit Letters			0.488	5.313	3.335				0,00	0.100	0.010
8a 9	3-Digit Cards			0,466	0.100	0.040				3.802	3.180	2.579
9a 10	5-Digit Letters			0 500	5.313	3.335				0,180	0,180	0.840
10a 11	5-Digit Cards			0.522	0.120	0.000				3,602	3.180	2.579
11a 12	Crie Leiters				5.313	3.335				0.120	0.120	0.880
12a 13	Crite Cards				0.400	0.600				3.802	3.180	2.579
13a		Cell Entries		(Unlt Cost) (Pet DPS)						0,400	0.400	0 600

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168	⊺ableA–5 RECLAS	U Pi	USPS - 18A P age 5 of 6			
		Combined City & Rural Delivery CRA Unit Coats with Piggybacks				
	30~Jun~97					
	02:42 PM	90 Potof Full Up)	24 Pct of	Rura	
		10	D Percent of Savi	nga		
	Reclas	sified Calegories				
		(w)	(y)	(Z)	(88)	(a b)
	FIRST-CLASS MAIL		Unit Cost	DPS	Total	Eatd Actual
			Cents	Pct	Density	Unit Cost
	Retail					
	1	Single Piece Lts & Flats	5.001	40.0	0.529	9.46
	2	Single Plece Cerds	4,355	50.0	0.735	5.93
	3	Presont Letters	4,146	59.0	0.822	5.05
	4	Presort Cards	3.039	59.0	0.726	4.19
	D 0 -	and a d				
	Preser		2 711	81.0		
	5	paac Lene s	3.711	01,U	0.822	4.52
	6	Basic & 3/5-Digit Flats	4 890		0.822	5.95
	7	Basic Cards	2 811	81 0	0.726	3.87
	8	3-Digit Leitera	3,652	84.0	0 822	4.45
	9	3-Digit Cards	2 775	84.0	0.726	3.82
	10	5-Digit Leiters	3 573	88.0	0.822	4.35
	11	5-Digit Cards	2.726	88 0	0.726	3 75
	12	Crie Leifers	4.126	60,0	0.822	5.02
	13	Crite Cards	2.820	60,0	0.726	3.88

Table A-5 RECLASSIFIED UNIT COSTS: FIRST-CLASS MAIL

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TABLE A-6 RECONCILIATION OF FIRST-CLASS MAIL CATEGORIES

USPS-18A Page 6 ol 6)

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	COMBINED CITY & R	URAL	FY98	Model Proje	ected				
30-Jun		(e)	(g)	(h)	(1)	(D	(k)	(1)	
02 42 PM	90 Percent of Full U	lp	Base	DPS	Effectve	DPS			
			Unit	Unlı	Unlt	Unit	 Projected Rec 	12.50	
í	FIRST-CLASS MAIL		Cost	Cost	Cost	Saving	Volume	Cost	
	Poiel								
1	Single Si	2. Field	8 137	3 296	5 001	1.138	54 304 310	0 700 145	
18	oligie / lece cita		0 600	0 400	3,001	1,100	34,344,310	2,720,145	
2	Sinnie Piece Cer	da	5 386	3 325	4 355	1 031	2 546 540	110 013	
- 2a	en gier i loss e a		0.500	0.500			-,-,-,-	110,010	
3	Prescri Lettera		5 3 1 3	3.335	4 148	1 167	5 369 395	222 625	
3a			0,410	0.590			0,000,000	ELE,OLD	
4	Presort Cards		3 701	2.579	3,039	0.662	643 732	19 565	
4a			0 410	0.590				,	
	PreBercoded								
5	Basic Letters		5.313	3,335	3.711	1.602	4,284,955	159.019	
5a			0.190	0.810			• •	,,	
6	Basic & 3/5-Dig	li Flais	4.890		4.890		282,211	13,601	
6a									
7	Basic Cards		3 802	2 579	2.811	0,991	349,958	9,639	
7a			0 190	0.810					
8	3-Digit Letters		5 313	3,335	3,652	1.661	20,642,552	753,818	
8a			0.160	0.840					
9	3-Digit Cards		3.802	2.579	2775	1 027	844,527	23,434	
9a.	5 DI 101 10		0 160	0.840	0.670				
10	5-Digit Letters		5,313	3,335	3 573	1.740	9,375,320	334,948	
iua	E. Distriction de		3 803	2 \$70	0 706	1.078	574 44 4		
11	oDight Cerus		0.120	2.378	2 / 20	1.070	5/0,014	15,718	
114	Colo Lattera		5 3 1 3	3 3 3 5	4 126	1 197	550 874	04.008	
12	Cite Letters		0 400	0.600	4,120	1,107	1,552,574	04,000	
13	Crite Cards		3 180	2 579	2 820	0.361	138 853	1 850	
13a			0.400	0 600		0,001	100,000	0,000	
	TY98								
14	Loaded	Total Ali F	Irst		4,408		100,999,542	4,451,749	
	Unit	7.4-1.01-	In Black		4 070		50 040 etc		
15	Cost	Total Sing	le mece		4.872		36,940,860	2,831,057	
16	5.001	Total Sing	le Plece Lrs		5.001		54,394,310	2,720,145	
17	4 357	Total Sing	le Plece Car	st	4 355		2,548,540	110,913	
18	3.729	Total Pres	ort Letters		3.730		41,507,008	1,548,278	
19	2 837	Tola) Pres	eorl Cards		2 838		2,551,684	72,414	

EXHIBIT USPS-18B

Reclassified Unit Costs: Standard Mail

- B-1 Reform Cost Elements Map
- B-2 Reform Cost Elements for City Delivery
- B-3 Reform Cost Elements for Rural Delivery
- B-4 Reform Cost Elements for City & Rural Delivery

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- B-5 Reclassified Unit Costs
- B-6 Reconciliation of Standard Mail Categories

rkb2		TABLE B-1 REFORM COST ELEMENTS MAP: STANDARD MAIL								USPS-18B Page 1 of 6			
	90 Petot Full - Up 100 Petot Savinos		Existing	CBA TH	rd Clas	s Caterror	ies	Shino Esti	malos				
		3rr			3cr	1		0111202011	mareo	125	Sat	125	Sal
STANDA		Lirs	Fits	DPS	Lirs	F&P	DPS	Ltrs	Fits	Ltrs	Lira	Flis	Fits
STANDA	NU MAIL	(1)	0	(J)	(X)	0	(m)	(n)	(O)	(P)	(q)	(r)	(s)
Pr	eBarcoded												
1	Basic Letters	a		с									
2	Basic Flats		b										
3	3-Digit Letters	a		с									
4	3/5-Digit Flats		b										
5	5-Diglt Letters	а		c									
6	Carrier Route Letters				c	ł	0						
Er	nhanced Carrier Route												
7	Basic Letters							f					
8	Basic Flats								g				
9	High Density Letters									I			
10	High Density Flats											h	
11	Saturation Letters										I		
12	Saturation Flats												k
Re	egular												
13	Basic Letters	а		c									
14	3/5-Digit Letters	а		с									
15	Basic & 3/5-DigitFlats		n										
PERIODI	CALS MAIL												
16	Publications Service		m										
	Source Sheet				City	/ Rural		City	Rural	Total		City	Rural
_	Toted Class Baseday & DBS			1.	Addre:	55		cenis				dens	ły
a h	Third Class Regular & DPS			4: -	-reo Geo	19126		3.63	0.98	4.61		0.594	0.242
č	Third Class Regular & DPS				192	10120		9.00	0.96	317		0.594	0.242
ň	Third Class Reg Crie & DPS			1		1 a 196		2.01	0.00	2 70		0.084	0.242
u A	Third Class Ben Crie & DPS			1	.goo 182	11129		2.03	0.77	3.00		0.004	0.200
	Third Class Reg Onle Lit Disage	-		1	n:iAO	m:1129		3 42	0.00	1 17		400.0	0.200
	Third Class Reg Crie Flat Disag	- 10		r	1180	n:1128		d 13	1 79	5.95		1 684	0.200
9 h	Third Class Reg Crie Flat Disac	99 10		י ר	::k80	n:k129		3 44	1.72	5.00		0.004	0.200
1	Third Class Beg Crie Lit Disage	19 1			n	mm129		2.37	0.48	2 85		0.004	0.200
l Ir	Third Class Reg Crie Flat Disage	. 10			1:m90	n/m 128		2.07	0.40 n Ao	3 50		0.004	0.200
, i	Third Class Red Crie Lir Disan	13]		n I	n:k80	m:k 128		2.01	0.03	3 76		0.664	0.200
'n		3			1:080	0:0126		4 37	1.90	6 27		0.603	0.203

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rkb64		TABLE B-2	REFORM COST ELEMENTS FOR CITY DELIVERY								USPS-188 Para 2 of 5			
CITY DEI	LIVERY	90 Percent of Fu	ill−Up										rage z c	010
			_	Exisilng	CRA Thi	rd Class (Categori	les	ShipeEst	imales		,		
			3rr			Gort.					125	Sal	125	Sat
STANDAD			LUS	FIIS	UPS	LIR	FAP	DPS	Ltrs	Fils	Lrs	Ltra	Fits	Fits
UTANDAI			(c)	W.	Ψ.	(K)	W	(m)	(n)	(0)	(P)	(q)	(7)	(S)
Pro	eBarcoded													
1	Basic Letters		3.629		2 313									
la			0.594		0.594									
2	Basic Flais			4,576										
2a				0.594										
3	3-Digit Letters		3.629		2.313									
Ja			0.594		0.594									
4	J/5-Digit Flats			4.576							•			
4a 5	5-Dialt Letters		2 620	0,594	0 9 1 9									
5a	5-Digit Cette 5		0.504		2.313									
6	Carrier Boute Letters		0,034		0.054	3.027		2 321						
6a						0.664		0.684						
Er	nanced Carrier Route					0.001		0.004						
7	Basic Letters								3.423					
7a									0.664					
8	Basic Flats									4.133				
8a										0.664				
9	High Density Letters								•		2.816			
9a	Lifeb Decelhy Flate										0.664			
100	High Density Flats												3 441	
11	Saturation Lattors											0 074	0 664	
i la	Odia anon Lette a											2.3/4		
12	Saturation Flats											0,004		2 800
i2a														0.664
Re	egular													0,004
13	Basic Letters		3.629		2.313									
13a			0.594		0 594									
14	3/5-Digit Letters		3.629		2,313									
14a			0 594		0,594									
15	Basic & 3/5-Digit Fl	815		5.242										
				0.594										
16	Dublications Social			4 265										
16a				4.000										
iva				0.003										
	Cell Entr	ies: (Unit ((Dens	Cost) sity)											

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rkd i 14		TABLE B - 3 HEFORM COST ELEMENTS FOR HUHAL DELIVERY									USPS - 188 Page 3 of 6			
RURAL	DELIVERY	90 Percent of Fu	ull Up										-	
			3-1	Existing	CRA Th	rd Class (Categor	ies :	ShipeEst	imales	105			0-4
			Ltrs	Fits	 DPS	Urs	Flia	DPS	ltrs	File	120	5at Itrs	Elis	Sai Fite
STAND	ARD MAIL		(h)	(1)	(D	(k)	(1)	(m)	(n)	(0)	(p)	(q)	(r)	(8)
۶	reBarcoded													
_1	Basic Letters		0.979		0.859									
1a			0.242		0.242									
2	Basic Flais			1.646										
20	3-Dialit atters		0 070	0.242	0.950									
3a			0 242		0.009									
4	3/5-Digit Flats			1.646										
4a	•			0.242										
5	5–Digit Letters		0,979		0,859									
5a			0.242		0 242									
6	Garrier Houle Letters					0.767		0.678						
ba F	phenood Carrier Poure					0,205		0,205						
7	Basic Letters								0 944					
7a									0.205					
8	Basic Flats									1.716				
8a										0,205				
9	High Density Letters										0.944			
9a	Litela Deserve Class										0.205			
10	High Density Flais												1.716	
11	Saturation Letters											0 477	0.205	
11a	ould dion Eend o											0.205		
12	Saturation Flats											0.200		0.687
12a														0.205
F	legular													
13	Basic Letters		0.979		0.659									
138	DE Dielt stars		0.242		0.242									
14	ars-Dign Letters		0.979		0.859									
15	Basic & 3/5-Digit Fla	als	0.242	1 770	0.242									
15a				0.242										
10														
16	Publications Service			1,903										
16a				0 283										
	Cell Entr	ies: (Unl1) (Den	Cost) sity)											

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rkb164		TABLE B 4	REFOR	MCOST	ELEMEI	NTS FOR	CITY +	RURAL	DELIVER	ΙY			USPS-1 Page 4 c	1813 af 6
CITY + R	URAL DELIVERY	90 Perce	ntol Full I	Up Existing	CRA Thi	rd Class			ę	ShipeEs	utimates			
			Grr.			Gort.					125	Sat	125	Sai
STANDA	RD MAIL		Ltrs (h)	Fils (I)	DPS {}	Ltrs (k)	F&P (I)	DPS (m)	Ltrs (n)	Fils (0)	Ltrs (p)	Ltrs (q)	Fits (7)	Fils (5)
Pr.	eBercoded													
1	Basic Letters		4.609		3.173									
ia			0.200		0.800									
2 2a	Basic Flais			6.222										
з	3-Digit Letters		4.609		3.173									
3a	·		0.170		0.830									
4	3/5-Digit Flats			6.222										
4 a														
5	5-Digit Letters		4.609		3.173									
5a			0.130		0.870									
6	Carrier Route Letters					3.794		2.999						
6a C,	abore and Corrier Poula					0.450		0.550						
7	Rade Letter Houle								4 307					
70	Dasc Lellers								4.307					
78	Rada Clata									E 840				
0 03	Dasic riais									0 049				
0	High Donelik Letters										3 750			
Qa.	Thigh Density Letters										3.738			
10	High Density Flats												5.157	
10a	i ngiri e criatij ti and												••.	
11	Saturation Letters											2.852		
118														
12	Saturation Flats													3.496
12a														
Re	egular													
13	Basic Letters		4 609		3.173									
13a			0 450		0.550									
14	3/5-Digit Letters		4.609		3.173									
14a			0.430		0.570									
15	Basic & 3/5-Digit Flate	5		7.012										
15a														
11														
16	Publications Service			6,269										
16a		o. // I_I	Cool											
	Centening	s: (Unit (Pot)	DPS)											

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TABLE B-5 RECLA	USPS-19B						
disagn:6 06-Jul-97 07:00 PM	Cor Tes	mblined City and Rural Dell it Year Unit Costs with Pigg	ivery CRA gybacks			P	agesore
01,001 11		90 Pct of 1	DPS 100 Percer	24 Po ntol Savings	tof Runal		
STAN		(y)	(aa)	(ab)	(ac)	(ad)	(Ee)
	D	D		. .	DPS	Total	Estd Actual
	1	Basic Letters		Cents 3 460	PC1 80.00	Density 0.836	Unit Cosi
	,			0.100	00.00	0.000	4,14
	2	Basic Flats		6.222		0.836	7.45
	з	3-DigitLellers		3.417	83.00	0.836	4.09
	4	3/5-Digh Flats		6.222		0.836	7.45
	5	5-Digit Letters		3.359	87.00	0.836	4,02
	6	Carrier Route Letters		3.357	55,00	0.869	3,86
	Ent	nanced Carrier Boute					
	7	Basic Letters		4.367		0.869	5.02
	8	Basic Flats		5.849		0,869	6.73
	9	High Density Letters		3 759		0.869	4.32
	10	High Density Flats		5.157		0.869	5.93
	11	Saturation Letters		2.852		0.869	3.28
	12	Saturation Flats		3.496		0.869	4.02
	Re	aular					
	13	Basic Letters		3.819	55.00	0.836	4.57
	14	3/5-Digit Letters		3,790	57.00	0.836	4,54
	15	Basic & 3/5-Digit Flats		7.012		0.836	8 39
PERI	ODICALS MA	AIL.					
	16	Publications Service		6.269		0.886	7,08

TABLE B-6	RECONCILIATION OF STANDARD MAIL CATEGORIES
	HECCHOLIATION OF CTANDARD MALE CATEGORIES

USPS-188	
Page 6 of 6	

							F	Page
	COMBINED CITY & RURAL	FY98 I	Model Proje	cted				-
06 – Jul	(e)	_ (g)	_(h)	(i)	(D	(k)	(1)	
07:00 PM	90 Percentol Full Up	Base	DPS	Effective	DPS			
		Unii	Unit	Unii		Hojected Heclass	• •	
	STANDARD MAIL	Cosi	COSI	Cost	Saving	Volume	Cost	
	ProBeroodod					F 198		
1	Basic Letters	4 609	3 173	3 460	1 140	3 157 220	100 220	
1a	Dede Latia 5	0.200	0.800	0,400	1.170	5,157,220	108,238	
2	Basic Flats	6.222	0.000	6,222		231,300	14 391	
2a								
3	3-Digit Letters	4.609	3.173	3.417	1,192	9,750,410	333,161	
3 a		0.170	0.830					
4	3/5-Digit Flais	6.222		6.222		9,299,380	578,607	
4a								
_	5-DigitLetters	4,609	3.173	3.359	1.249	3,016,550	101,340	
5	On the Breat Latter	0.130	0.870					
58	Carrier Houte Letters	3 /94	2.999	3.357	0.438	2,123,220	71,268	
6	Enhanced Carrier Poule	0.450	0,550					
04	Ennanceo Carner noute	4 267		4 367		6 781 040	008 110	
7a	Desic Lene s	4.307		4.307		6,761,040	290,119	
8	Basic Flats	5 849		5 849		10 706 610	628 281	
- 8a		0.0.0		0.070			020,201	
9	High Density Letters	3 759		3,759		394,080	14.815	
9a	J							
10	High Density Flats	5,157		5.157		1,150,760	59,345	
10a								
11	Saturation Letters	2.852		2 852		3,095,860	88,282	
11a								
12	Saturation Flats	3.496		3.496		8,172,670	285,688	
128	Bogular							
13	Bade Lotters	4 609	3 173	3.810	0 700	2 012 520	78 858	
13a	Bado Esta o	0 450	0.550	0.010	0,700	2,012,020	10,000	
14	3/5-DialtLetters	4 609	3,173	3.790	0.818	2,941 620	111 493	
14a	-,, 3 ,,	0,430	0.570					
14r	Basic & 3/5-Digit Flats	7.012		7.012		3,950,010	276,962	
	-					• •		
	PERIODICALS MAIL							
15	Publications Service	6.269		6.269		7,084,978	444,135	
16	1Y98Loaded							
		Total Con		4 000		04 050 010		
17	4.004	rolai an	See He	4.003		34,359,010	1.602,049	
19			Grifit	5.500		13 480 600	732,000	
10			arm	0.400		10,400,000	009,001	
19	4,445	Tolal 3crt		4,447		32,424,240	1,441.778	
			3crtl∦r	3.796		12,394,200	470.483	
20)		Gort fit	4.849		20,030,040	971,295	
21	6 27 1	Publication	18	6.269		7,084,978	444,135	

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EXHIBIT USPS-18C

Reclassified Unit Costs: Nonprofit Mail

- C-1 Reform Cost Elements Map
- C-2 Reform Cost Elements for City Delivery
- C-3 Reform Cost Elements for Rural Delivery
- C-4 Reform Cost Elements for City & Rural Delivery
- C-5 Reclassified Unit Costs

C-6 Reconciliation of Nonprofit Mail Categories

		TABLE C-1	NONP	PROFIT	REFORM	I COST ELE	MENTS	мар					ل م	JSPS-1	BC
MAP			E	ixisting (CRA Cla	ss Categorie	2(SI	hipe Estima	tes	-			- 1	Ģ
	Reclass Categories		2np	 Ite	OPS	3np Oth Itrs	 F&P	DPS	Snp Crt	0.00	EPD	HD	Set	HD	Sat
STAN	DARD A		(h)	(i)	(D	(k)	(1)	(m)	(n)	(0)	(p)	(q)	(r)	(8)	(1)
1	Nonprofil Prebarcoided Basic Letters					а		c							
2	2 Basic Flats						ъ								
3	3-DigitLeilers					a		c							
4	ay5−DigitFlats						b								
5	5 5-Digl1Letters					а		с							
e	5 Enhanced Crte Bas	ic							d	•					
7	Nonprofit Enhanced Ca 7 Basic Letters	rrler Route							t						
e	8 Basic Flats & Parce	ls									9				
S	High Density Letter	s										h			
10	D High Density F&P													I	
11	Saturation Letters												I		
12	2 Saluration F&P														k
	Nonprofit Presort					_		~							
13						a		-							
14	4 3/5-Digit Letters					а		C							
15	5 Basic & 3/5-Digit F	&P					1								

PERIODICALS

16 N	lonprolit (ali categories)	m							
			Addres	S	CRA	Cents/place		density	,
Key	Source Sheet		C	lity Rural	Cliy	Rural	Total	City	Rural
a	3c NonProlit & DPS		ə, g 80	a.g126	3.069	0.842	3.912	0.505	0.202
ь	3c NonProfit & DPS		e:k80	e:k 126	4.083	1.358	5.441	0.606	0.202
С	3c NonProfit & DPS		e i8 0	e:I128	1.729	0.738	2.467	0.608	0.202
ď	3c NonProfit Crite & DPS		1:g80	l.g 126	2.150	0.471	2.621	0.400	0.127
e	3c NonProfit Cris & DPS		1:182	11128	1.560	0.416	1.976	0,460	0.127
f	3c Non Profit Crt Ltrs Satur	п	g;i80	g i128	2.348	0.549	2.897	0.460	0.127
g	3c NonProfit Crt F&P Satu	rn	h:i80	h:i126	2.770	0.555	3.659	0.400	0.127
ĥ	3c NonProfit Crt Lirs Satur	n	g:k80	g:k128	1.905	0,549	2,454	0.460	0.127
1	3c NonProlli Cri F&P Salu	rn	h: k8 0	h [,] k 128	2,339	0.555	3.227	0.460	0.127
1	3c NonProlit Crittre Satur	'n	g:m80	g:m 128	1,584	0.277	1,861	0,460	0.127
ķ	3c NonProfit Crt F&P Salu	rn	h:m80	h:m128	1 945	0.502	2.447	0,460	0.127
I.	3c NonProlit & DPS		e:m80	e:m 126	4.480	1.386	5.867	0.606	0.202
m	NonProfit Publications		d.g80	a:g 126	169	1.902	5,590	0.602	0.283

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r]b64		TABLE C-	-2 REFO	RM COS	TELEM	ENTS FOR	CITY DE	LIVERY					ł	USPS-1 Page 20	18C
CITY D	ELIVERY	90 Percent of	Full~Up												• -
				Existing	CRA Cla	as Categori	20		Shipe Esti	mates					
			2np.		6.00	Shp Oth .			Jnp Crt.			HD	Set	HD	Sed
STAND	ARD A		L&F (h)	L1rs (1)	0PS ()	Lirs (X)	(I)	(m)	Lira (n)	DPS (0)	F&P (p)	Ltre (q)	Lina (r)	F& P (8)	F&P (0)
٨	Ionprofit Prebarcoded														
1	Basic Letters					3.069		1.923							
la						0.608		0.505							
2	8ask: Flats						4.083								
2a							0.605								
3	3-Digit Letters					3.069		1 923							
3a						0 608		0.606							
4	3/5 Digit Flats						4.083								
4a							0.608								
5	5-Digit Letters					3,069		1.923							
5a						0,606		0.605							
6	Enhanced Crte Bas	ic							2.150	1.560					
6а									0.460	0.400					
1	vonprofil Enhanced Ca	rrier Roule													
_7	Basic Letters								2.348						
/a									0.460						
	Basic Flats& Parce	15									2.770				
8a	Link Develoption	_									0.400	1.005			
9	uidu nailaità nailait	5										1.905			
98	High Decelly 58 P											0.400		0.330	
10	nightoerengrien													2.339	
11	Saturation Letters												1 584	0,400	
11a	oald alon Eona o												0.460		
12	Saturation E&P												0.100		1 045
120															0.460
120	Vonorofit Presort														0,400
13	Basic Letters					3 0 69		1 923							
138						0 608		0 608							
14	3/5-Digit Letters					3 0 6 9		1 923							
14a	4					0 608		0 608							
15	Basic & 3/5-Digit F	-8P					4 4 80								
15a							0 608								
PERIO	DICALS														
íô	Nonprofili (ali caleg	cifies)	2552												
16a			0.602												
	Cell En	nties. (U	nlı Cosi) Tensity)												

r b114		TABL	E C-3	REFO	RM CO	ST ELEME	INTS FOR	RURAL	DELIVER	ΥF				1	JSPS-1	BC
RURAL I		90 Perce	nt of Fu	Up											- 191 3 0	10
				. E	ixisting	CRA Class	s Categorii	1	5	Shipe Estim	ltes					
				2пр		- On	pOth.			3np Crt.			HD	Sel	HD	Sat
				L&F	Lts	DPS	Lts	F&P	DPS	Lire	DPS	F & P	Lts	Lts	F&P	F&P
STANDA	AD A			(h)	()	(D	(k)	(1)	(m)	(n)	(0)	(P)	(q)	(r)	(8)	(\$
N	onprolil Prebarcoded															
1	Basic Letters						0.842		0.736							
1a							0.202		0,202							
2	Basic Flats							1.358								
2a								0.202								
3	3-Digit Letters						0.842		0,736							
3a							0.202		0.202							
4	3/5-Digit Flats							1.356								
4a								0.202								
5	5-Digit Letters						0.842		0.738							
54							0.202		0.202						
6	Enhanced Crie Basi	c								0.471	0.416					
6a										0.127	0.127					
_ N	Ionprolit Enhanced Car	rler Houte	Ð							0.540						
7	Basic Letters									0.349						
/a		_								0.127						
5 0-	Basic Hais & Parcel	.5										0.500				
ва	Liteb Decelui Lotter	-										0.147	0 540			
• •	High Density Letters	•											0.127			
30	Ulah Dessilu CRD												0.120		0.888	
100	nigh Der siny r an														0 1 27	
11	Seturation Lotters													0 277	•	
119														0.127		
12	Saturation F&P															0.502
120																0.127
160	Ionarafit Presart															
1.9	Basic Letters						0 842		0.738							
13a							0 202		0.202							
14	3/5-Diol11 etters						0 842		0.738							
14a							0.202		0.202							
15	Basic & 3/5 - Digit F	8P						1.386								
15a	J							0 202								
PERIO	DICALS															
16	Nonprofit (al caleo	ories)		1.902												
16a		•		0 283												
	Cell En	rles:	(Unlt (Cosl)												

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(Density)

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rjb 164		TABLE C-4	REFORM COS	st elemen	IS FOR	i+ ⊁up	In Inal di	B.IVERY				P. S	PS-180	~
CITY + F	JURAL DELIVERY	90 Percen	it of Fult Up											
		. –	Existing (CRA Clees (3np -	Categorio Oth	ø ∙	Ϋ́	ilpe Ealimu 3rto Crt.	sole		Ĥ	i Sat	Ş	t. V
STANDA	RD A		L&F Lrs (h) (i)	8 8	(K)	da €	ξĒ	<u>(</u> 1	60	г <mark>8</mark> Р (р)	6 5 1 0	, E S	- - 	, <u>2</u> e
ž-	onprolli Prebarcoded Rasir Lettors				3 012		5							
. <u></u>					0 210		0.790							
2a Sa														
ମ ୧୨ ୧୨	3-DigitLetters				3.912 0.180		2.661 0.820							
3 4 4	3/5 – Digit Flats				8	5,441	070.0							
այտն 7 մ	5-DigitLellers				3.912 0.140		2.001							
, e j	Enhanced Orte Basic				2		3	2.621	1.976					
₹ B	aanofit Enhanced Carrie	r Route						0.390	0.610					
~	Basic Letters							2.897						
P ~ .	Basic Flats & Parcels									3,650				
80 0 20 0	High Densliy Lellers										5 4 54			
9 - <u>6</u>	High Dersily F&P											ಲ್	227	
5	Saturation Letters										÷	861		
12	Saturation F&P												ભં	4
	onprofil Present													
13	Basic Lellers	•			3.912 0.540		2.661 0.460							
4	3/5-DigitLations				3.012		2.661							
15 15	Basic & 3/5-Digit F&P					5,867	0.450							
15a PERIODI 16 16a	ICAL S Nonprolit (all calegorie	2	5,500											

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TABLE C-5	RECLASSIFIED UNIT	COSTS: NONPROFIT MAL		USPS - 18C Page 5 of 6	
disagnp6 27~Jun-97 10.11.AM	Combine Unit Cost	d City and Rural Delivery CRA s with Piggybacks		-	
10.1171		90 Pct of Full Up, 100 Perce	24 ant of Savings	Pci Rural	
\$	STANDARD A	(y) (z) (aa)(ab) (ac)	(ad) DPS	
	Nonrolit	Prebarooded	Cents	Pct	
	1	Basic Letters	2,924	79.00	
	2	Basic Flats	5.441		
	3	3-Digit Letters	2.866	82.00	
	4	3/5-Digit Flats	5.441		
	5	5-DigitLetters	2.836	56.00	
6		Enhanced Crite Basic	2,228	61 00	
	Nonprofit	Enhanced Carrier Route			
	7	Basic Letters	2.897		
	8	Basic Flais & Parcels	3 659		
	9	High Density Letters	2.454		
	10	High Densily F&P	3 227		
	11	Saturation Letters	1 861		
	12	Saturation F&P	2,447		
	Nonprolit	Presort		10.00	
	13	Basic Leilers	3 336	45,00	
	14	3/5Digl1Letters	3 349	45 00	
	15	Basic & 3/5-Digit F&P	5.867		
	PERIODICALS 16	Nonprolli (al categories)	5,590		

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27 – Jun	TABLE C-6 RECON	NCILIATION OF NO	NPROFIT	MAIL CATE	GORIES	USP	S-18C
10.00 AM		FY96 Å	lodel Proie	cted		rag	8 0 OF 6
		(a)	(h)	()	(1)	(k)	Ø
	90 Percent of Full Up	Bese	DPS	Effective	DPS	••	.,
	•	Unit	Unit	Unit	Unli	Projected Reclass	
STANDARD A	٩	Cost	Cost	Cost	Saving	Volume	Cost
	Nonprolit Prebarcoded						
1	Basic Leiters	3,912	2.661	2.924	0.988	1,219,000	35.640
ta		0.210	0.790				•
2	Basic Flats	5.441		5.441		58,600	3,168
2a					_		
3	3-Digit Lettera	3 912	2.661	2,886	1.025	2,669,370	77,042
3a		0 180	0,820				
4	3/5-Digit Flais	5.441		5,441		/60,020	41,350
4a		2.010	0.861	0.000	1.078	1 220 000	
5	5-Digit Letters	3 912	2,001	2 0 30	1.075	1,330,040	37,723
58	Echanood Cris Barb	2 821	1 976	2 2 28	0 303	358 910	7 051
o Ra	ET TAILCEU OTE Basic	0.390	0 610		0,000	000,010	7,001
Ua Ua	Noncrolit Enhanced Carrier Boute	0.000					
7	Basic Letters	2 897		2 897		1,478,330	42.823
7a							
8	Basic Flats & Parcels	3,659		3.659		572,450	20,944
8a							
9	High Density Letters	2,454		2 454		39,470	969
9a							
10	High Densliy F&P	3 227		3 227		14,390	484
10a						100.010	
11	Saturation Letters	1 861		1 801		496,010	9,232
11a		0.447		2 4 47		174.490	4.044
12	Saturation Far	2 447		2 771		174,450	4,200
120	Nonrrefit Presort						
13	Basic Letters	3 912	2 661	3.336	0 575	1,317,370	43,952
13a		0.540	0 460				
14	3/5-DiaitLetters	3 912	2 661	3 349	0 563	1,898,016	63,562
14a	l	0 550	0 450				
1 4r	r Basic & 3/5-Digit F&P	5 867		5,867		870,764	51,084
PERIODICAL	_S						
15	5 Nonprolit (all categories)	5,590		5,590		13,255,220	741,030
	T (0)			2 201		10.055.000	
16	3 Y Costs			3,321		13,255,220	440,192
17	3.491	3 491 Total NP O	ih	3.492		10,123,230	353,541
			Othlir	3.058		8,433,846	257,920
18	3		Oth F&P	5,660		1,689,384	95,622
	0.783	2 783 Total Sort		2 767		3 131 990	88 6 51
19	2.703		Grift	2 572		2,370,720	60 973
90	1		Cr1F&P	3 373		761,270	25,677
20	-					,	,
21	5 590	5,590 Total 2np		5 590		535,480	10,200

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