

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 4
(February 25, 2000)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

1. The Table in Attachment 1 shows Segment 3 (Clerks and Mailhandlers, CAG A – J Offices) unit mail processing costs for Regular Rate Periodicals for the period FY 1989 through FY 1998. The unit cost data are adjusted by each year's productive hourly wage data to account for the effects of inflation. The cost data are taken from the Postal Service's annual CRA Reports. Prior to FY 1997, the mail processing costing methodology in the CRA reports has been basically constant. FY 1997 and FY 1998 CRA figures are adjusted to account for methodological differences in order to make them more consistent with the earlier reports.

While parties might disagree about the exact 1997 and 1998 adjustment procedure, the basic trend in unit cost since 1992 is up. Periodicals mail consists almost entirely of flat-shaped matter. The Service is requested to provide shape-related cost data for certain other subclasses to help ascertain if this upward trend in flat-shaped mail costs occurs for other mail categories and other shapes as well.

To provide the record with time series data that are comparable, the Postal Service is requested to provide a table containing unit mail processing costs and city carrier in-office costs for letters, flats, and parcels/IPP's for the years 1989 to 1999 for the following subclasses: (1) First-Class Letters and Sealed Parcels, (2) Periodicals-Regular Rate, (3) Standard A Regular, (4) Standard A ECR, (5) Standard A Nonprofit, and (6) Standard A Nonprofit ECR. Attachment 2 contains an example of what this table might look like.

The Postal Service should discuss the adequacy of the costs for analytical purposes and should provide a description of its methodology and any corresponding workpapers. The mail processing costing methodology reflected in the requested table must be as consistent as possible for each year of the analysis. It is recognized that some minor changes in data collection procedures occurred in the years 1989 to 1996, and a significant change in costing methodology was made in the CRA reports for 1997 and 1998. The Service should perform appropriate adjustments to account for the changes in methodology and fully explain the rationale underlying the adjustments. Preliminary 1999 data should be provided if final figures are not available. If no 1999 data are available, the table can be updated when the data become available.


Edward J. Gleiman
Presiding Officer

**Periodicals Regular Rate Unit Mail Processing Costs
Adjusted for Changes in Productive Hourly Wage Rate**

	<u>Volume (000)</u> (1)	<u>Mail Proc. Costs Pre R97-1 USPS methodology (000)</u> (2)	<u>Nominal Unit Mail Proc. Costs (cents)</u> (3)=(2)/(1)	<u>Clerks and Mailhandlers Prod. Hourly Rate (Dollars per Hour)</u> (4)	<u>Clerks and Mailhandlers Labor Cost Index base 1989=1.0</u> (5)	<u>Adjusted Unit Mail Proc. Costs (cents)</u> (6)=(3)/(5)
1989	6,523,394	358,944	5.50	19.48	1.0000	5.50
1990	6,831,400	398,540	5.83	20.86	1.0704	5.45
1991	6,995,944	418,941	5.99	22.03	1.1305	5.30
1992	6,640,122	379,751	5.72	22.86	1.1731	4.88
1993	6,858,147	404,140	5.89	23.06	1.1835	4.98
1994	6,872,470	429,994	6.26	23.54	1.2084	5.18
1995	6,939,596	454,120	6.54	23.83	1.2228	5.35
1996	6,984,301	476,857	6.83	23.96	1.2300	5.55
1997	7,254,321	509,610	7.02	24.67	1.2663	5.55
1998	7,195,006	549,855	7.64	25.10	1.2883	5.93

Sources:

- col. (1) Cost and Revenue Analysis, FY 1989-98
- col. (2) 1989-96: CRA, Cost Segments and Components Reports, USPS version
1997-98: mail proc. costs reflecting methodology proposed in R97-1 of 499,291 (1997) and 538,721 (1998)
from Cost Segments and Components Reports, USPS version,
times 1.021 which is = Pre R97-1 1996 costs divided by 1996 costs of 467,201 as proposed in R97-1 Exhibit USPS-5A, page 19
- col. (4) total segment 3 costs, CRA, Cost Segments and Components Reports, USPS version, divided by segment 3 workhours from
Natl. Payroll Summary Reports, AP 13
- col. (5) annual productive hourly rate in col. (4) divided by 1989 productive hourly rate

