USPS-T-2

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

EXPERIMENTAL PRESORTED PRIORITY MAIL RATE CATEGORIES, 2001	:	Docket No. MC2001-1

TESTIMONY
OF
JONATHAN D. LEVINE
ON BEHALF OF
UNITED STATES POSTAL SERVICE

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TESTIMONY
OF
JONATHAN D. LEVINE

AUTOBIOGRAPHICAL SKETCH

My name is Jonathan Levine. I am a Consultant at PricewaterhouseCoopers LLP in the firm's Mail, Package, and Freight industry group. Since joining PricewaterhouseCoopers in 1997, I have been employed primarily on projects that involve the analysis of Priority Mail operations and costs.

I earned a Bachelor's Degree in Political Economy from Williams College in 1997.

This is my first appearance before the Postal Rate Commission.

I. Purpose

The purpose of my testimony is to supply Postal Service witness Scherer (USPS-T-3) with cost estimates to support three proposed Priority Mail presort discounts. The three proposed discounts are: 5-digit presort, 3-digit presort, and ADC presort. Witness Scherer presents the reasons for proposing these discounts in his testimony.

II. MATERIALS ASSOCIATED WITH THIS TESTIMONY

USPS Library Reference MC2001-1/1 documents the computer programs used to estimate the Priority Mail origin and destination volumes at each facility. The facility names have been redacted because this information is commercially sensitive. This data is used to develop inputs for the mail processing cost model.

Attachment D of this testimony indicates the mail-processing plants associated with each ADC using coded identifiers.

III. Introduction

The three proposed Priority Mail discounts will result in Priority Mail bypassing certain mail processing operations. Accordingly, the scope of this testimony is limited to Priority Mail processing costs and does not include other functions such as transportation and delivery.

This testimony provides estimated mail processing cost savings. Because the proposed Priority Mail presort discounts are based on cost savings from avoidance of existing operations, this experiment will not require additional capital expenditures.

The cost savings estimated in this case are based on data presented in Docket No. R2000-1. It is important to note that there has been a significant change in Priority Mail processing operations since that case was filed. During litigation of Docket No. R2000-1, the Postal Service was under contract with Emery Worldwide Airlines for the processing and transportation of a portion of Priority Mail volume. This contract included ten Priority Mail Processing Centers (PMPCs). On November 3, 2000, the Postal Service announced that an agreement had been reached with Emery to end the mail processing contract. The contract was terminated, and USPS began managing the PMPCs directly as of January 7, 2001. To the extent possible, this change has been incorporated in my mail flow models.

Due to the experimental nature of this case and the mail preparation requirements that are proposed to accompany the three presort options, it will be necessary to collect data during the course of this experiment to verify cost savings. These data will include information about the processing of nonpresort Priority Mail, as well as presort pieces, since it is necessary to compare the two in order to validate the cost savings estimates. Attachment A contains the data collection plan.

IV. Cost Methodology

A. Inputs

The unit cost of a piece of Priority Mail is calculated using productivity (pieces processed per hour) and an average wage rate per hour modified by piggyback and premium pay factors. Piggyback factors are designed to capture indirect mail processing costs such as supervisor time and facility space associated with each operation. The premium pay adjustment is designed to account for the higher marginal costs associated with processing Priority Mail due to the fact that it receives preferential processing.

Productivities are calculated using the Management Operating Data System (MODS), which reports workhours and volume (total pieces handled or TPH) by operation. Four operations in MODS are specific to Priority Mail distribution: Manual Priority, Small Parcel Bundle Sorter (SPBS) Priority, Linear Induction Parcel Sorter (LIPS) Priority, and Flat Sorting Machine 1000 (FSM 1000) Priority. Separate operations report outgoing and incoming hours and pieces. Average productivity is calculated for each operation by dividing pieces by hours. The marginal productivity, or productivity of the last piece processed, is calculated by dividing the average productivity by the variability for the operation. For this data, the FY 2000 MODS data from all sites across the country were used to calculate productivities.

To estimate costs, the appropriate premium pay factor, wage rates, and piggyback factors must be chosen. For the purposes of this case, these inputs are developed using data presented in the November 13, 2000 Opinion and Recommended Decision of the Postal Rate Commission (PRC) in Docket No. R2000-1. The advantage of using inputs derived from the PRC's Decision is that the estimated cost savings are developed using almost all of the same costing

assumptions that support the current Priority Mail rates.[1] Calculating the cost savings with PRC-derived inputs enables witness Scherer to set discounts that are consistent with the existing rates.[2]

While the wage rate, premium pay factor, and FSM piggyback factor are taken directly from the PRC's Decision,[3] the SPBS Priority and manual Priority piggyback factors are adjusted. This is done because both of these piggyback factors, as calculated in the PRC's Decision, are so large that they appear to be anomalous. Using the piggyback factors as calculated in the PRC's Decision would result in severely overstating the cost savings. In Attachment B, these piggyback factors are re-calculated using the "average mail processing piggyback factor" in place of the "residual" or "not used" piggyback factor.[4] These calculations result in the SPBS Priority and manual Priority piggyback factors being more consistent with the other piggyback factors in the PRC's Decision.

As mentioned above, inputs from the PRC's Decision are used for this cost study. Therefore, the PRC's estimates of mail processing volume variabilities are also used in this cost study. This does not signify the acceptance of these inputs as the correct data to be used in estimating costs and/or cost savings. Rather, it

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[1] As mentioned earlier, the one assumption that has changed since Docket No. R2000-1 is that the mail processing contract with Emery has been terminated, and the Postal Service is managing the operations of the PMPCs. The resulting change in my mailflow models is discussed in part B below.

[2] Attachment E contains the estimated cost savings using USPS-derived inputs from Docket No. R2000-1, for comparison purposes.

[3] Wage rates are from Docket No. R2000-1, PRC-LR-5, file "Part VIII Disaggregation of Wages.xls", sheet "table viii". Premium pay factor is from Docket No. R2000-1, PRC- LR-10, file "mppigby.xls", sheet "Prempay_Ratio". Piggyback factors are from Docket No. R2000-1, PRC-LR-10, file "piggysummary", sheet "mods".

[4] This is the methodology employed by the Postal Service in the calculation of the "PRC-Version" of piggyback factors.

allows the cost savings to be estimated using the same costing assumptions that support the rates that went into effect on January 7, 2001.

B. Cost Models

The cost model calculations can be found in Attachment C. For guidance, the following description of Attachment C is provided.

Table 1 of Attachment C lists all of the tables in the attachment. Tables 2 and 3 of Attachment C display the inputs used in the cost model. Productivities are derived using FY2000 Priority-specific productivities reported in the MODS database. All inputs are as described above in Section A.

Tables 4-6 of Attachment C calculate the unit cost of outgoing and incoming sorts using the inputs from Tables 2 and 3 of Attachment C. The unit costs of the four different Priority-specific MODS operations (Manual, SPBS, LIPS, and FSM 1000) are weighted together using the relative volumes processed by each operation nationwide.

Tables 7 and 8 of Attachment C represent the flow of Priority Mail through USPS processing operations. Table 7 of Attachment C shows the volume destinating at each ADC that receives a separate 3-Digit sort and the volume that bypasses the 3-Digit sort. These volumes are derived using destinating Priority Mail volume estimates at the 3-Digit (plant) level. Plants are assigned to ADCs based on USPS process flows. Plants were contacted to determine what volume is sorted directly to the 5-Digit level at the ADC and what volume receives a separate 3-Digit sort. This volume is then sorted to the 5-Digit level either at the plant or in a secondary sort at the same ADC[5]. Overall, 43.0 percent of destinating Priority Mail volume receives both a 3- and a 5-Digit sort (whether at the ADC or at the

[5] The volumes by plant are shown in Attachment E of USPS Library Reference MC2001-1/1. Attachment D to this testimony identifies the plants in each ADC service area.

ADC and the Plant) and 57.0 percent is sorted directly to 5-Digits at the destinating ADC, bypassing the primary sort.

Assumed in the cost model is that Priority Mail that has the same origin and destination 3-Digit ZIP Code receives an outgoing primary sort to the 3-Digit level. All other Priority Mail receives an outgoing sort to the destination ADC. 11.0 percent of originating Priority Mail volume has the same origin and destination 3-Digit ZIP Code and is therefore sorted to the 3-Digit level at the origin. This percentage is derived using Priority Mail volumes shown in USPS Library Reference MC2001-1/1, Attachment E. It is assumed all other originating Priority Mail volume, 89.0 percent, would be sorted to the ADC.

As mentioned above, since presortation only impacts mail processing and not other functions such as transportation and delivery, only mail processing piece-distribution cost savings are estimated. Table 8 of Attachment C is a graphical representation of the postal processing of Priority Mail. This mailflow model assumes mail processing as is currently done at postal-run facilities, incorporating changes due to the end of the PMPC contract. The mailflow model is constructed using the destinating volume distribution from Table 7 of Attachment C and the assumption that 11.0 percent of Priority Mail is sorted to the 3-Digit level at origin.

In Attachment C, Tables 9-13 display the mail processing cost model calculations. Note that this model only estimates the costs associated with avoiding piece-distributions. It does not take into account any changes in cost that may arise due to changes in containerization, as these cannot be estimated without knowledge of the mailers that will participate in the experiment. The cost model calculates the unit cost for four levels of presort:

1. Non-presort (Attachment C, Table 9),
2. ADC presort (Attachment C, Table 10),

3. 3-Digit presort (Attachment C, Table 11),
4. 5-Digit presort (Attachment C, Table 12).

Each table calculates the unit cost for a Priority Mail piece receiving a specific level of presort in the following way. Lines 1-3 show what percent of each general mailflow receives either an outgoing, incoming primary, or incoming secondary sort. A zero percent in the table represents a sort that is bypassed either inherently by the type of mail or due to presortation. For instance, an intra-SCF piece (originating and destinating in the same SCF service area) receives an outgoing sort and an incoming secondary sort (to 5-digits), but bypasses the incoming primary sort (to 3-digits) (see Table 9 Line 1). Line 4 shows the unit cost for each sort from Tables 5 and 6. Lines 5-7 calculate the unit cost for each type of mail. Lines 8-11 calculate the average unit cost weighted by the mailflow volumes from Table 8.

The cost avoidances shown on Attachment C Table 13 are calculated as the cost difference between the level of presort and non-presort. Because the proposed presort discounts do not affect processing beyond the 5-Digit level, the cost model does not account for any costs beyond the sort to 5 digits. Therefore, no cost for sorting 5-Digit presorted mail is included in this model. The cost savings associated with the 5-Digit presort is simply the modeled costs of non-presort.

V. Summary

The Test-year cost avoidance estimates are shown in the following table:

Estimated Cost Savings

Level of Presort	Cost Savings (cents/piece)
ADC presort	19.3
3-digit presort	26.1
5-digit presort	42.0

Attachment A

Data Collection Plan

I. Introduction

This attachment provides a description of the Postal Service's data collection plan for the proposed experimental Priority presort discounts, as is required by the Commission's Rule 67 (c). The purpose of the data collection plan is to provide a basis for developing a more refined estimate of the cost savings that result from the proposed presort options and to determine if the proposed Priority discounts should become a permanent classification.

The plan has been designed to collect data required by Commission's rules 64 and 54, and data desired for postal management's evaluation of rolling out the proposed discounts on a national basis. No new statistical systems will be created to facilitate the data collection effort. Instead, all data will be collected through the means identified in the plan. The main categories of data to be addressed during the experiment are operations, volumes, and cost data. The data will be collected during the three years of the experiment.

II. Data Acquisition and Analysis

There are two phases to the data collection plan. They are described below.

Phase I.

The purpose of Phase I is to assess preliminary problems with the proposed presort discounts and to determine the feasibility of allowing more mailers to enter the experiment. Phase I will take place in the first twelve to eighteen months of the experiment. It will entail communicating with both the mailers using the proposed discounts and with field personnel who handle the presorted Priority Mail. Site visits will be made, if necessary, to gather more information. The purpose of these communications will be threefold. First, they will be used to determine if there are any unforeseen difficulties in implementing the worksharing discount. Second, they will be used to determine if the presorted

Priority Mail is actually avoiding operations that it is assumed to avoid. Third, they will be used to determine if there are any unforeseen additional costs. After this information is analyzed, it will be determined if more mailers will be allowed to enter the experiment.

Phase II.

The purpose of Phase II is to gather data used to analyze the cost and revenue impacts of the discount. Depending on how quickly the first mailers begin using the proposed discounts and the availability of resources, Phase II may overlap with Phase I. Phase II will entail collecting both operational and volume data. At present, the Postal Service proposes to use the methods described below to perform the data collection.

A. Operations

Surveys will be sent to a sample of postal facilities that handle both presorted Priority Mail and non-presorted Priority Mail. The purpose of these surveys will be to compare the operations incurred by presorted Priority Mail to the operations incurred by non-presorted Priority Mail. Data collected will include sortation schemes, type of equipment used to sort Priority Mail (including manual operations), and productivities associated with that equipment. MODS data and end-of-run (EOR) reports will be used when available. Site visits will be made as necessary to help determine the operational mailflow of the Priority Mail.

B. Volumes

Volumes by shape and type of discount will be collected via Mailing Statements. Volume data will be collected on at least ten mailers, unless fewer than ten choose to participate in the experiment. If the number of mailers exceeds ten, a sample may be used to collect this data.

III. Additional Market Research

In addition to the data collection effort, a market research study will be conducted to determine the level of demand for each of the three proposed Priority presort

discounts. This information could be used in any future request for permanent changes and will serve primarily as a basis for volume forecasts.

The actual survey instruments used will be developed based on customer knowledge gained during the experiment and Phases 1 and 2 of the data collection effort, as well as information obtained from Postal Service personnel in the field who worked with customers during the experiment.

Revised Calculation of MODS Pool Piggyback and Cost Factors
Source: PRC-LR-10 "Modspig01"

Cost Pool	Not Used	CFS	Bulk Accept.	BMC Platform	Other Platform	OCR	MPBCS	DBCS	CSBCS	LSM	FSM	PSM	NMO	Letter Fcr/Cancl	Flat Fcr/Cancl	Culling
mods 11 bcs/	0.0008	0.0003	0.0000	-	0.0033	0.0542	0.3829	0.4675	0.0457	0.0007	0.0020	-	0.0001	-	0.0002	0.0003
mods 11 ocr/	0.0003	-	-	-	0.0007	0.7612	0.1609	0.0323	0.0046	-	0.0030	-	-	0.0003	-	-
mods 12 fsm/	0.0034	0.0003	-	-	0.0011	0.0083	0.0049	0.0029	0.0006	0.0116	0.9163	0.0017	0.0001	0.0002	0.0128	0.0004
mods 12 lsm/	-	0.0046	0.0056	-	0.0274	0.0082	0.0138	-	-	0.8554	0.0149	-	-	-	-	-
mods 13 mecparc	0.0775	-	-	-	0.0174	-	-	-	-	0.0071	0.0158	0.6874	-	-	-	-
mods 13 spbs Oth	0.0131	-	-	-	0.0158	0.0013	0.0067	0.0013	-	0.0030	0.0153	0.0799	0.0005	-	0.0003	0.0018
mods 13 spbsPrio	0.2888	-	-	-	0.0073	0.0032	0.0022	0.0024	-	0.0038	0.0039	0.0905	0.0052	-	-	0.0001
mods 14 manf	0.0053	0.0009	0.0002	-	0.0027	0.0003	0.0005	0.0012	-	-	0.0173	0.0001	0.0002	-	0.0006	-
mods 14 manl	0.0022	0.0006	-	-	0.0015	0.0014	0.0025	0.0019	0.0001	-	0.0030	-	0.0001	0.0002	0.0003	-
mods 14 manp	0.1143	-	0.0015	-	0.0672	0.0032	0.0043	0.0014	-	-	0.0042	0.0107	0.0012	-	0.0014	0.0025
mods 14 priority	0.5224	0.0006	-	-	0.0271	-	0.0005	0.0015	-	-	0.0027	0.0043	0.0006	-	-	-
mods 15 LD15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
mods 17 1Bulk pr	0.0208	-	-	-	0.1233	0.0345	0.0361	-	0.0080	-	0.0214	-	-	0.0100	-	-
mods 17 1CancMPP	0.0033	0.0010	0.0009	-	0.0358	0.0042	0.0055	0.0016	-	0.0003	0.0031	0.0003	0.0003	0.3161	0.0523	0.0482
mods 17 1OPbulk	0.0043	-	0.0011	-	0.0611	0.0134	0.0290	0.0143	0.0021	0.0008	0.0590	0.0083	-	0.0014	0.0026	0.0040
mods 17 1OPpref	0.0196	0.0002	0.0004	-	0.0772	0.0241	0.0411	0.0232	0.0018	0.0005	0.0289	0.0021	0.0001	0.0033	0.0029	0.0060
mods 17 1Platfrm	0.0101	-	0.0014	-	0.8181	0.0010	0.0029	0.0018	0.0002	-	0.0037	0.0024	0.0003	0.0011	0.0003	0.0009
mods 17 1POUCHNG	0.0242	-	-	-	0.0915	0.0321	0.0443	0.0165	0.0012	0.0010	0.0423	0.0017	-	0.0014	0.0012	0.0008
mods 17 1SackS_h	0.0224	-	0.0005	-	0.4275	0.0025	0.0040	0.0008	-	0.0005	0.0062	0.0032	0.0012	0.0028	-	0.0035
mods 17 1SackS_m	0.0083	-	-	-	0.2910	0.0023	0.0021	-	-	0.0045	0.0086	0.0203	-	-	-	0.0038
mods 17 1SCAN	0.0878	-	0.0020	-	0.1316	0.0054	0.0025	0.0142	-	-	0.0042	0.0021	-	-	0.0020	0.0038
mods 18 express	0.4311	-	-	-	0.0068	-	-	0.0010	-	-	-	-	-	-	-	-
mods 18 BusReply	0.0160	-	-	-	0.0205	-	0.0017	-	-	-	-	0.0021	-	-	-	-
mods 18 INTL	0.1463	0.0003	0.0001	-	0.0841	0.0149	0.0071	0.0020	-	0.0249	0.0318	0.0031	-	0.0029	0.0070	0.0013
mods 18 MAILGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
mods 18 Registry	0.7853	0.0008	-	-	0.0235	-	0.0010	0.0014	-	-	-	-	-	-	-	-
mods 18 REWRAP	0.0065	-	-	-	0.0361	0.0050	-	-	-	-	-	0.0280	-	0.0176	-	-
mods 18 1EEQMT	-	0.0246	-	-	0.3270	-	-	0.0108	-	-	-	0.0142	-	-	0.0129	-
mods 18 1MISC & Supp	0.0220	0.0107	0.0032	-	0.1092	0.0274	0.0611	0.0214	0.0008	0.0057	0.0473	0.0022	-	0.0011	0.0012	0.0010
mods 41 LD41	-	0.0016	-	-	0.0035	0.0359	0.1218	0.4805	0.2782	0.0018	0.0033	-	-	-	-	-
mods 42 LD42	0.0183	0.0157	-	-	0.0078	0.0257	0.0607	0.1315	0.0061	0.0185	0.3934	-	-	-	0.0109	-
mods 43 LD43	0.0260	0.0056	0.0005	-	0.0171	0.0003	0.0018	0.0022	0.0019	0.0001	0.0017	0.0002	0.0001	0.0002	-	-
mods 44 LD44	0.0093	0.0068	-	-	0.0021	0.0005	0.0007	-	0.0012	-	0.0006	-	-	-	-	-
mods 48 LD48 Exp	0.2891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
mods 48 LD48 Oth/Adm	0.0706	0.1389	0.0015	-	0.0413	0.0010	0.0008	0.0030	0.0027	-	-	-	-	-	0.0008	-
mods 48 LD48_SSv	0.2341	0.0248	-	-	0.0068	-	-	-	-	-	-	-	-	-	-	-
mods 49 LD49	0.0109	0.8985	-	-	0.0008	-	0.0018	0.0003	-	0.0006	0.0016	-	0.0043	0.0022	0.0013	0.0002
mods 79 LD79	0.0104	0.0080	0.5245	-	0.1327	0.0014	0.0077	0.0061	-	-	0.0039	-	-	-	-	-
BMCs nmo	0.0023	-	-	-	-	-	-	-	-	-	-	-	0.5778	-	-	-
BMCs psm	0.0027	-	-	-	-	-	-	-	-	-	-	0.9973	-	-	-	-
BMCs spb	0.0024	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BMCs ssm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BMCs Other	0.0017	0.0020	-	-	-	0.0007	0.0105	0.0012	-	0.0046	0.0249	0.1764	0.0044	0.0032	0.0012	0.0134
BMCs Pla	-	-	0.0016	0.9977	-	-	-	-	-	-	-	-	-	-	-	-
Non Mods Allied	0.0115	-	0.0115	-	0.1052	-	-	-	-	-	-	-	-	0.0087	0.0015	0.0015
NON MODSAUTO/MEC	0.0059	-	0.0007	-	0.0049	0.0302	0.1749	0.3886	0.3412	0.0128	0.0339	0.0013	-	-	-	-
NON MODSEXPRESS	0.4981	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON MODSMANF	0.0064	-	-	-	0.0058	-	-	-	-	-	-	-	-	-	-	-
NON MODSMANL	0.0005	-	0.0007	-	0.0036	-	-	-	-	-	-	-	-	-	-	-
NON MODSMANP	0.0705	-	-	-	0.0266	-	-	-	-	-	-	-	-	-	-	-
NON MODSMISC	0.0596	0.1936	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON MODSREGISTRY	0.3487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Operation Specific	[1]															
Piggyback Factors	1.00071621	1.46981213	2.195546678	1.725419462	1.637286837	2.093642907	1.536676772	2.105554023	1.965710431	1.857649705	1.503753817	1.774398706	1.587436534	3.728340284	1.490171542	2.410373306
Cost Factors	1.106653215	1.093256278	1.125409582	1.123320942	1.088838087	1.064487119	1.107563326	1.187291732	1.107563326	0.254224754	1.074669398	0	0	1.090410122	1.125409582	1.062124212

Source:
[1]: PRC-LR-10, "Modspig01.xls, sheet misc, overall mailprocessing piggbackfactor".
[2]: The sum of the products of the costpool and the piggyback factors.

Revised Calculation of MODS Pool Piggyback and Cost Factors
Source: PRC-LR-10 "Modspig01"

Cost Pool	SSM BMC	SSM Other	SPBSM	Multialide	ACDS	Banding	Sort to Ltr Case	Sort to Flat Case	Sort to Hanging Sack	Sort to Rolling Con.	Sort to Pallets	Other Sorting	Other Mail Proc.	Powered Trans. Eq	RBCS (MOD 15)
mods 11 bcs/	-	0.0002	0.0006	0.0001	0.0009	0.0003	0.0104	0.0006	0.0004	0.0080	0.0001	0.0088	0.0082	0.0021	-
mods 11 ocr/	-	-	0.0003	-	-	0.0003	0.0076	0.0003	-	0.0051	-	0.0088	0.0112	0.0004	-
mods 12 fsm/	-	0.0027	0.0020	0.0002	0.0001	0.0001	0.0054	0.0119	0.0004	0.0019	0.0001	0.0043	0.0030	0.0017	-
mods 12 lsm/	-	-	-	-	-	-	0.0370	0.0037	0.0059	0.0066	-	0.0096	0.0075	-	-
mods 13 mecparc	-	0.0611	0.0097	0.0257	-	-	0.0071	-	0.0048	0.0615	-	0.0089	0.0060	-	-
mods 13 spbs Oth	-	0.0029	0.7503	0.0022	0.0007	-	0.0039	0.0056	0.0082	0.0228	0.0021	0.0148	0.0359	0.0112	-
mods 13 spbsPrio	-	0.0015	0.4881	0.0006	-	-	0.0024	0.0030	0.0100	0.0193	0.0012	0.0076	0.0476	0.0072	-
mods 14 manf	-	-	0.0014	-	-	0.0004	0.0342	0.8860	0.0051	0.0188	0.0002	0.0112	0.0081	0.0026	-
mods 14 manl	-	-	0.0004	-	0.0000	0.0015	0.9163	0.0153	0.0013	0.0079	0.0001	0.0216	0.0181	0.0011	-
mods 14 manp	-	0.0025	0.0198	0.0131	-	0.0004	0.0123	0.0130	0.1553	0.4998	0.0122	0.0231	0.0275	0.0068	-
mods 14 priority	-	0.0014	0.0230	0.0051	0.0050	-	0.0079	0.0097	0.1520	0.1602	0.0017	0.0422	0.0217	0.0059	-
mods 15 LD15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0000
mods 17 1Bulk pr	-	-	-	-	-	-	0.0862	0.0130	0.0212	0.4465	0.0410	0.0517	0.0608	0.0082	-
mods 17 1CancMPP	-	0.0003	0.0005	0.0031	0.0051	0.0002	0.0249	0.0038	0.0032	0.3212	0.0006	0.0226	0.1191	0.0060	-
mods 17 1OPbulk	-	0.0076	0.0729	0.0058	0.0007	0.0038	0.0299	0.0271	0.0597	0.4392	0.0049	0.0427	0.0770	0.0242	-
mods 17 1OPpref	-	0.0009	0.0280	0.0088	0.0056	0.0048	0.0413	0.0310	0.0856	0.4099	0.0058	0.0474	0.0712	0.0229	-
mods 17 1Platfrm	-	0.0021	0.0083	0.0032	0.0014	0.0010	0.0042	0.0023	0.0045	0.0455	0.0011	0.0119	0.0169	0.0422	-
mods 17 1POUCHNG	-	0.0045	0.0185	0.0050	0.0242	0.0230	0.0368	0.0169	0.1808	0.2220	0.0024	0.0578	0.1216	0.0220	-
mods 17 1SackS_h	-	0.0476	0.0225	0.0319	0.0074	0.0001	0.0102	0.0051	0.0503	0.2234	0.0058	0.0399	0.0409	0.0286	-
mods 17 1SackS_m	-	0.4341	0.0087	0.0410	0.0070	0.0022	0.0076	0.0001	0.0086	0.0569	-	0.0160	0.0509	0.0256	-
mods 17 1SCAN	-	0.0184	-	0.0017	0.5006	-	0.0081	-	0.0269	0.0608	-	0.0549	0.0337	0.0091	-
mods 18 express	-	0.0008	-	0.0008	0.0041	-	0.0067	0.0074	0.0575	0.0189	-	0.0452	0.0102	-	-
mods 18 BusReply	-	-	-	-	-	-	0.1371	0.0196	0.0018	0.0076	-	0.0604	0.7283	-	-
mods 18 INTL	-	0.0010	0.0761	0.0088	0.0064	0.0017	0.1504	0.0275	0.0999	0.1295	0.0039	0.0591	0.0525	0.0066	-
mods 18 MAILGRAM	-	-	-	-	-	-	-	-	-	-	-	0.4173	-	-	-
mods 18 Registry	-	-	-	-	-	-	0.0224	0.0035	0.0175	0.0144	-	0.0728	0.0429	0.0017	-
mods 18 REWRAP	-	-	-	-	-	-	0.0549	0.0145	0.0063	0.1659	-	0.1431	0.5089	0.0075	-
mods 18 1EEQMT	-	-	0.0434	-	-	-	-	-	-	0.0800	-	0.1141	0.3197	0.0429	-
mods 18 1MISC & Supp	-	0.0028	0.0141	0.0028	0.0013	0.0027	0.1568	0.0558	0.0144	0.0603	-	0.2111	0.3049	0.0133	-
mods 41 LD41	-	-	0.0016	-	0.0015	-	0.0265	-	0.0043	0.0133	-	0.0100	0.0099	-	-
mods 42 LD42	-	-	-	-	-	-	0.1306	0.0753	0.0055	0.0206	-	0.0560	0.0236	-	-
mods 43 LD43	-	0.0001	0.0014	-	-	0.0004	0.3299	0.2306	0.0089	0.1707	0.0018	0.1036	0.0445	0.0039	-
mods 44 LD44	-	-	-	-	-	-	0.4351	0.0979	0.0067	0.0194	-	0.3186	0.0488	0.0010	-
mods 48 LD48 Exp	-	-	-	-	-	-	0.0116	0.0165	-	-	-	0.0598	0.0140	-	-
mods 48 LD48 Oth/Adm	-	-	-	-	-	-	0.2407	0.0964	0.0091	0.1012	0.0007	0.2091	0.4138	0.0041	-
mods 48 LD48_SSv	-	-	-	-	-	-	0.1062	0.0305	-	0.0302	-	0.0723	0.4134	-	-
mods 49 LD49	-	-	0.0003	-	0.0016	-	0.0063	0.0015	0.0005	0.0016	-	0.0099	0.0533	0.0003	-
mods 79 LD79	-	-	0.0028	-	-	-	0.0157	-	0.0061	0.0586	0.0043	0.0200	0.0896	0.0040	-
BMCs nmo	-	-	-	-	-	-	-	-	-	0.3517	0.0662	-	-	-	-
BMCs psm	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BMCs spb	-	-	0.6633	-	-	-	-	-	0.2964	0.0379	-	-	-	-	-
BMCs ssm	1.0000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BMCs Other	0.0681	-	0.0177	0.0415	-	0.0012	0.0121	0.0131	0.0037	0.0731	0.0146	0.1398	0.1753	0.1853	-
BMCs Pla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non Mods Allied	-	0.0003	-	0.0004	0.0006	0.0004	-	-	0.0378	0.1562	0.0023	0.4563	0.0843	0.0130	-
NON MODSAUTO/MEC	-	-	0.0029	-	-	-	-	-	-	-	-	-	-	-	-
NON MODSEXPRESS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NON MODSMANF	-	-	-	-	-	-	-	0.9869	-	-	-	-	-	-	-
NON MODSMANL	-	-	-	-	-	0.0004	0.9894	-	-	-	-	-	-	-	-
NON MODSMANP	-	-	-	-	-	-	-	-	0.0741	0.8043	0.0182	-	-	-	-
NON MODSMISC	-	-	-	-	-	-	-	-	-	-	-	-	0.4173	-	-
NON MODSREGISTRY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operation Specific															
Piggyback Factors	1.941273798	1.842762442	1.62575476	1.544162074	1.571626927	2.631599522	1.330865154	1.394455521	1.462366537	1.406439015	1.49650433	1.342819284	1.431804564	1.617869521	2.044875479
Cost Factors	1.125409582	1.125409582	1.09539122	1.125409582	1.125409582	1.125409582	1.09074551	0.909325682	1.096610724	0.992184388	1.125409582	1.082414121	1.060407769	1.125409582	0.781967911

Revised Calculation of MODS Pool Piggyback and Cost Factors
Source: PRC-LR-10 "Modspig01"

Cost Pool	Revised Piggyback Factors [2]	Cost Factors	PRC Results for Piggyback Factors
mods 11 bcs/		1.138216742	1.846694674
mods 11 ocr/		1.072615294	1.973270026
mods 12 fsm/		1.060847333	1.5141745
mods 12 lsm/		0.373347251	1.638253014
mods 13 mecparc		0.321607809	1.815568924
mods 13 spbs Oth		0.999310365	1.633199182
mods 13 spbsPrio	1.610428771	0.982055261	1.976133229
mods 14 manf		0.92445901	1.402324043
mods 14 manl		1.083501173	1.341950551
mods 14 manp		1.025992992	1.615229777
mods 14 priority	1.627797203	1.071139848	2.189336403
mods 15 LD15		0.781967911	2.044875479
mods 17 1Bulk pr		1.023487898	1.497309306
mods 17 1CancMPP		1.036174588	2.191946443
mods 17 1OPbulk		1.028558403	1.490311655
mods 17 1OPpref		1.037003409	1.5229273
mods 17 1Platfrm		1.070355811	1.615815658
mods 17 1POUCHNG		1.055872183	1.553392054
mods 17 1SackS_h		1.05186073	1.57565085
mods 17 1SackS_m		1.074228076	1.707478268
mods 17 1SCAN		1.067680551	1.634640198
mods 18 express		0.646699938	1.465515443
mods 18 BusReply		1.053197311	1.430073077
mods 18 INTL		0.993844897	1.615270043
mods 18 MAILGRAM		0.443327638	0.560336021
mods 18 Registry		1.084169113	2.542020512
mods 18 REWRAP		1.015683934	1.472118581
mods 18 1EEQMT		1.04573067	1.502209954
mods 18 1MISC & Supp		1.223834124	1.731028774
mods 41 LD41		1.132598444	1.929694318
mods 42 LD42		1.064783436	1.587303328
mods 43 LD43		0.97748979	1.356854127
mods 44 LD44		1.00465702	1.297491647
mods 48 LD48 Exp		0.425902796	0.968939892
mods 48 LD48 Oth/Adm		1.413064326	1.985484198
mods 48 LD48_SSv		0.982216585	1.635089855
mods 49 LD49		1.083100359	1.483730873
mods 79 LD79		0.987272056	1.729122871
BMCs nmo		0.428253944	1.520468797
BMCs psm		0.002993394	1.777367496
BMCs spb		1.091872583	1.571990204
BMCs ssm		1.125409562	1.941273798
BMCs Other		0.870141678	1.570603245
BMCs Pla		1.122528307	1.724934221
Non Mods Allied		0.942686083	1.304755339
NON MODSAUTO/MEC		1.120684429	1.92668298
NON MODSEXPRESS		0.551180011	1.430407274
NON MODSMANF		0.910860973	1.404140642
NON MODSMANL		1.084825719	1.326486533
NON MODSMANP		1.006788103	1.512866856
NON MODSMISC		0.72014989	1.053316092
NON MODSREGISTRY		0.38589438	1.001462529

MPBCS	1.536676772	1.102209376
DBCS	2.105554023	1.510246935
CSBCS	1.965710431	1.409941575
Total	1.542714582	1.138216742
FSM 881	1.455773294	1.044179884
FSM 1000	1.521268278	1.091157353
AFSM 1000	1.518660678	1.089287005
Total	1.479010695	1.060847333
RBCS: LMLM	2.583090161	2.631343099
RBCS: Other	0	0
RBCS: REC	1.523873536	1.552339974
Total	2.083074397	2.044875479

Operation Specific
Piggyback Factors
Cost Factors

Table 1

Priority Mail Cost Model

Summary of Tables: Priority Presort Discount Cost Analysis

Table	Title
1	Summary of Tables: Priority Presort Discount Cost Analysis
2	Input Data
3	MODS Input Data
4	Average Cost Per Hour by Operation
5	Unit Cost - Outgoing Sort
6	Unit Cost - Incoming Sort
7	Volumes - Destinating ADC
8	Volume by Mailflow
9	Unit Cost - Non-Presorted Mail
10	Unit Cost - ADC Presorted Mail
11	Unit Cost - 3-Digit Presort
12	Unit Cost - 5-Digit Presort
13	Presort Cost Avoidance Summary

Table 2

Priority Mail Cost Model

Input Data

Variability[1]

	Operation	Variability
1	Manual Priority (050/055)	99.4%
2	SPBS Priority (138/139)	99.3%
3	LIPS Priority (258/259)	99.3%
4	FSM 1000 Priority (450/451)	99.8%

Piggyback Factors

	Operation	Piggyback Factor
5	Manual Priority (050/055)[2]	1.528
6	SPBS Priority (138/139)[2]	1.610
7	LIPS Priority (258/259)[2]	1.610
8	FSM 1000 Priority (450/451)[3]	1.507

Average Wage

9	FY 2001 Wage Rate[4]	$28.449

Premium Pay

10	Priority Mail Premium Pay Factor[5]	1.003

Sources

[1] Docket No. R2000-1, PRC-LR-5, file Part IX Variabilities.xls, sheet "PRC Variabilities".

[2] Attachment B (Adjusted Piggyback factors). LIPS Priority uses SPBS Piggyback Factor.

[3] Docket No. R2000-1, PRC-LR-10, file "piggysummary", sheet "mods".

[4] Docket No. R2000-1, PRC-LR-5, file "Part VIII Disaggregation of Wages.xls", sheet "table viii".

[5] Docket No. R2000-1, PRC- LR-10, file "mppigby.xls", sheet "Prempay_Ratio".

Table 3

Priority Mail Cost Model

MODS Input Data

Source: MODS FY 2000

Outgoing Sort

	Operation	Hours	TPH[1] (in 000s)	Average Productivity[2]	Variability	Marginal Productivity[3]	Perc. Of Volume
1	Manual Priority (050)	5,462,030	1,186,908.6	217.3	99.4%	218.6	71%
2	SPBS Priority (138)	1,831,072	414,208.5	226.2	99.3%	227.8	25%
3	LIPS Priority (258)	265,738	47,852.1	180.1	99.3%	181.3	3%
4	FSM 1000 Priority (450)	56,289	19,593.4	348.1	99.8%	348.8	1%
5	Total	7,615,129	1,668,562.6	219.1			100%

Incoming Sort

	Operation	Hours	TPH[1] (in 000s)	Average Productivity[2]	Variability	Marginal Productivity[3]	Perc. Of Volume
6	Manual Priority (055)	3,422,117	932,450.5	272.5	99.4%	274.1	63%
7	SPBS Priority (139)	1,735,306	486,238.3	280.2	99.3%	282.2	33%
8	LIPS Priority (259)	98,225	43,635.1	444.2	99.3%	447.4	3%
9	FSM 1000 Priority (451)	57,527	14,120.6	245.5	99.8%	246.0	1%
10	Total	5,313,175	1,476,444.5	277.9			100%

[1] TPH = Total Pieces Handled.

[2] Average Productivity = TPH / Hours

[3] Marginal Productivity = Average Productivity / Variability.

Table 4

Priority Mail Cost Model

Average Cost Per Hour by Operation

Average Wage	[A]	[B]	[C]	[A x B x C]
Operation	Average Wage	Premium Pay	Piggyback Factor	Cost Per Hour
1 Manual Priority	$28.449	1.003	1.528	$43.59
2 SPBS Priority	$28.449	1.003	1.610	$45.95
3 LIPS Priority	$28.449	1.003	1.610	$45.95
4 FSM 1000 Priority	$28.449	1.003	1.507	$42.99
	[Table 2 Line 9]	*[Table 2 Line 10]*	*[Table 2 Lines 5-8]*	

Table 5

Priority Mail Cost Model

Unit Cost - Outgoing Sort

MODS Information	[A]	[B]	[C]	[D]
Operation	Hours	TPH (in 000s)	Marginal Productivity	Percentage of Volume
1 Manual Priority (050)	5,462,030	1,186,908.6	218.613	71.13%
2 SPBS Priority (138)	1,831,072	414,208.5	227.806	24.82%
3 LIPS Priority (258)	265,738	47,852.1	181.342	2.87%
4 FSM 1000 Priority (450)	56,289	19,593.4	348.783	1.17%
5 Total	7,615,129	1,668,562.6		100.0%

[Table 3 Lines 1-5]

Cost Calculation	[E]	[F]	[G]	[H]
Operation	Cost Per Hour	Hours Per Piece	Cost Per Piece	Portion of National Cost Per Piece
6 Manual Priority (050)	$43.595	0.00457	$0.199	$0.142
7 SPBS Priority (138)	$45.953	0.00439	$0.202	$0.050
8 LIPS Priority (258)	$45.953	0.00551	$0.253	$0.007
9 FSM 1000 Priority (450)	$42.991	0.00287	$0.123	$0.001
10 Total				$0.201
	[Table 4]	*1 / [C]*	*[E] x [F]*	*[G] x [D]*

Table 6

Priority Mail Cost Model

Unit Cost - Incoming Sort

	MODS Information	[A]	[B]	[C]	[D]
	Operation	Hours	TPH (in 000s)	Marginal Productivity	Percentage of Volume
1	Manual Priority (055)	3,422,117	932,450.5	274.1	63.2%
2	SPBS Priority (139)	1,735,306	486,238.3	282.2	32.9%
3	LIPS Priority (259)	98,225	43,635.1	447.4	3.0%
4	FSM 1000 Priority (451)	57,527	14,120.6	246.0	1.0%
5	Total	5,313,175	1,476,444.5		100.0%

[Table 3 Lines 6-10]

	Cost Calculation	[E]	[F]	[G]	[H]
	Operation	Cost Per Hour	Hours Per Piece	Cost Per Piece	Portion of National Cost Per Piece
6	Manual Priority (055)	$43.595	0.00365	$0.159	$0.100
7	SPBS Priority (139)	$45.953	0.00354	$0.163	$0.054
8	LIPS Priority (259)	$45.953	0.00224	$0.103	$0.003
9	FSM 1000 Priority (451)	$42.991	0.00407	$0.175	$0.002
10	Total				$0.159
		[Table 4]	*1 / [C]*	*[E] x [F]*	*[G] x [D]*

Table 7 (multiple pages)

Priority Mail Cost Model

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
1	A1	3	1,852,075	945,180	906,895
2	A2	1	5,927,356	0	5,927,356
3	A3	4	12,259,539	4,622,028	7,637,511
4	A4	1	8,544,559	0	8,544,559
5	A5	11	6,883,962	2,740,288	4,143,674
6	A6	2	234,010	234,010	0
7	A7	2	18,066,314	6,122,674	11,943,640
8	A8	10	10,334,049	6,341,162	3,992,887
9	A9	1	6,522,892	2,210,608	4,312,284
10	A10	3	14,582,727	4,677,730	9,904,997
11	A11	9	5,701,839	4,652,143	1,049,696
12	A12	4	13,234,733	9,639,615	3,595,118
13	A13	2	4,269,836	1,447,047	2,822,789
14	A14	3	18,405,222	18,405,222	0
15	A15	3	11,716,320	2,031,658	9,684,662
16	A16	5	7,963,611	0	7,963,611
17	A17	2	1,827,177	1,827,177	0
18	A18	4	13,273,345	4,006,222	9,267,123
19	A19	2	6,233,620	1,278,384	4,955,236
20	A20	3	9,016,824	230,680	8,786,144
21	A21	6	6,257,290	2,107,322	4,149,968
22	A22	6	14,980,412	4,224,625	10,755,787
23	A23	3	9,634,894	0	9,634,894
24	A24	7	16,661,827	7,746,694	8,915,133
25	A25	3	6,510,196	6,510,196	0
26	A26	1	9,874,180	3,346,360	6,527,820
27	A27	2	10,049,222	0	10,049,222
28	A28	7	9,555,735	3,955,201	5,600,534
29	A29	2	7,801,708	2,643,999	5,157,709
30	A30	9	42,185,419	42,185,419	0
31	A31	1	8,302,222	2,813,623	5,488,599
32	A32	6	28,051,036	8,187,083	19,863,953
33	A33	4	13,947,787	2,181,108	11,766,679
34	A34	4	17,263,059	7,126,056	10,137,003
35	A35	4	11,940,990	4,046,802	7,894,188

Table 7 (multiple pages)

Priority Mail Cost Model

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
36	A36	8	16,407,939	16,407,939	0
37	A37	4	4,849,731	1,602,378	3,247,353
38	A38	2	12,184,658	4,129,381	8,055,277
39	A39	1	9,843,078	0	9,843,078
40	A40	4	4,307,135	0	4,307,135
41	A41	5	17,608,563	17,608,563	0
42	A42	1	405,503	405,503	0
43	A43	5	8,279,972	3,420,592	4,859,380
44	A44	4	12,051,589	12,051,589	0
45	A45	4	26,898,953	11,187,402	15,711,551
46	A46	2	13,506,912	0	13,506,912
47	A47	3	7,801,363	765,487	7,035,876
48	A48	1	9,404,558	0	9,404,558
49	A49	5	18,660,751	2,121,710	16,539,041
50	A50	2	13,663,557	0	13,663,557
51	A51	1	1,247,088	1,247,088	0
52	A52	2	4,693,110	1,590,495	3,102,615
53	A53	1	5,524,479	1,872,246	3,652,233
54	A54	2	10,002,737	0	10,002,737
55	A55	3	11,955,774	0	11,955,774
56	A56	1	3,634,946	0	3,634,946
57	A57	5	14,085,218	5,217,149	8,868,069
58	A58	1	6,778,327	0	6,778,327
59	A59	10	20,088,552	14,564,720	5,523,832
60	A60	4	5,421,414	5,006,974	414,440
61	A61	6	5,513,357	1,524,153	3,989,204
62	A62	6	3,236,018	2,352,581	883,437
63	A63	1	9,898,779	0	9,898,779
64	A64	1	7,781,445	0	7,781,445
65	A65	1	6,103,158	0	6,103,158
66	A66	11	38,733,750	13,126,868	25,606,882
67	A67	3	5,304,513	1,797,699	3,506,814
68	A68	3	6,176,900	6,176,900	0
69	A69	1	5,988,617	0	5,988,617
70	A70	4	25,780,499	25,780,499	0

Table 7 (multiple pages)

Priority Mail Cost Model

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
71	A71	4	6,989,056	6,989,056	0
72	A72	7	7,709,086	2,205,536	5,503,550
73	A73	7	30,459,773	30,459,773	0
74	A74	10	21,836,974	13,037,976	8,798,998
75	A75	4	9,565,947	5,577,325	3,988,622
76	A76	8	24,471,745	14,135,085	10,336,660
77	A77	6	16,292,667	8,008,849	8,283,818
78	A78	3	10,319,937	2,350,935	7,969,002
79	A79	6	3,716,439	2,218,828	1,497,611
80	A80	1	2,299,514	2,299,514	0
81	A81	1	12,451,515	0	12,451,515
82	A82	4	11,381,420	0	11,381,420
83	A83	3	15,718,493	15,718,493	0
84	A84	3	13,443,559	4,131,334	9,312,225
85	A85	10	26,701,817	5,557,318	21,144,499
86	A86	6	16,482,081	4,042,848	12,439,233
87	A87	4	10,122,650	4,813,482	5,309,168
88	A88	1	7,858,303	2,663,179	5,195,124
89	A89	2	6,341,106	2,149,001	4,192,105
90	A90	8	5,230,628	2,761,447	2,469,181
91	A91	10	8,362,391	5,921,906	2,440,485
92	A92	2	7,147,444	731,562	6,415,882
93	A93	2	11,051,382	6,802,298	4,249,084
94	A94	2	7,620,949	2,582,740	5,038,209
95	A95	2	11,219,789	3,802,386	7,417,403
96	A96	3	3,364,837	0	3,364,837
97	A97	6	12,742,344	5,825,126	6,917,218
98	A98	7	11,753,930	8,399,503	3,354,427
99	A99	6	4,558,088	4,558,088	0
100	A100	1	1,937,556	0	1,937,556
101	A101	3	3,268,583	1,066,339	2,202,244
102	A102	1	3,483,230	3,483,230	0
103	A103	2	5,056,091	918,471	4,137,620
104	A104	3	9,518,521	0	9,518,521
105	A105	6	10,547,628	2,650,190	7,897,438

Table 7 (multiple pages)

Priority Mail Cost Model

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
106	A106	7	7,264,625	7,264,625	0
107	A107	1	13,739,441	0	13,739,441
108	A108	7	18,093,560	7,023,910	11,069,650
109	A109	3	4,458,932	1,148,485	3,310,447
110	A110	9	13,906,846	0	13,906,846
111	A111	2	6,022,915	2,041,166	3,981,749
112	A112	2	5,837,496	1,072,293	4,765,203
113	A113	4	30,472,544	30,472,544	0
114	A114	2	6,862,351	2,325,651	4,536,700
115	A115	1	4,825,285	0	4,825,285
116	A116	3	4,311,340	0	4,311,340
117	A117	9	3,809,477	3,078,955	730,522
118	A118	1	5,146,787	1,744,246	3,402,541
119	A119	1	16,594,646	0	16,594,646
120	A120	1	3,659,022	0	3,659,022
121	Total	465	1,279,719,670	550,477,924	729,241,746
122	Percentage		100.0%	43.0%	57.0%

Table 8

Priority Mail Cost Model

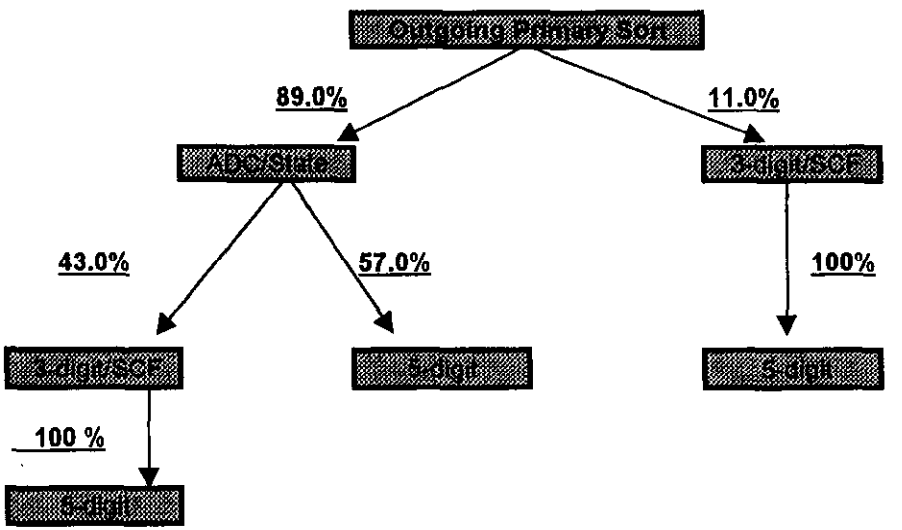
Volume by Mailflow

	Originating Sort	Percentage	
1	Inter-SCF[1]	89.0%	
2	Intra-SCF[1]	11.0%	[LR-1 Att. E]
3	Total	100.0%	

	Incoming Sort: Inter-SCF	Percentage	
4	Bypasses 3-Digit Sort	57.0%	[Table 7]
5	Does not Bypass 3-Digit Sort	43.0%	[Table 7]
6	Total	100.0%	

	Overall	Percentage
7	Intra-SCF	11.0%
8	Inter-SCF: 3-Digit Bypass[2]	50.7%
9	Inter-SCF: Incurs 3-Digit Sort[3]	38.3%
10	Total	100.0%

Priority Mail Flow Model



[1] For the purposes of this testimony, Intra-SCF mail is defined as mail originating and destinating in the same SCF service area. Inter-SCF mail is defined as mail that originates and destinates in different SCF service areas. The usage of the terms does not imply any relationship to their usage in USPS transportation costing terminology.

[2] Line 1 x Line 4. This volume bypasses the three-digit sort and is sorted directly to five digits at the ADC.

[3] Line 1 x Line 5. This volume receives a separate three-digit sort. The five-digit sort occurs at either the ADC or the Plant.

Table 9

Priority Mail Cost Model

Unit Cost - Non-Presorted Mail

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	100%	0%	100%
2	Inter-SCF: Bypasses 3-Digit Sort	100%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	100%	100%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.201	$0.159	$0.159

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.201	$0.000	$0.159
6	Inter-SCF: Bypasses 3-Digit Sort	$0.201	$0.000	$0.159
7	Inter-SCF: Receives 3-Digit Sort	$0.201	$0.159	$0.159

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.359	11.0%	$0.040
9	Inter-SCF: Bypasses 3-Digit Sort	$0.359	50.7%	$0.182
10	Inter-SCF: Receives 3-Digit Sort	$0.518	38.3%	$0.198
11	National Weighted Average Cost			$0.420
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 10

Priority Mail Cost Model

Unit Cost - ADC Presorted Mail

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF[1]	0%	100%	43%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	0%	100%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.201	$0.159	$0.159

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.159	$0.068
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.159
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.159	$0.159

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.227	11.0%	$0.025
9	Inter-SCF: Bypasses 3-Digit Sort	$0.159	50.7%	$0.080
10	Inter-SCF: Receives 3-Digit Sort	$0.318	38.3%	$0.122
11	National Weighted Average Cost			$0.227
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

[1] Intra-SCF mail that is presorted to the ADC level will flow to the ADC serving the SCF. It will be sorted to 3 or 5 digits as is the practice at each ADC. Therefore, a certain percentage (57%) will be sorted to 5-digits at the ADC and the remainder (43%) will need to be sorted to 5-digits at the SCF.

Table 11

Priority Mail Cost Model

Unit Cost - 3-Digit Presort

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	0%	0%	100%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	0%	0%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.201	$0.159	$0.159

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.000	$0.159
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.159
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.000	$0.159

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.159	11.0%	$0.018
9	Inter-SCF: Bypasses 3-Digit Sort	$0.159	50.7%	$0.080
10	Inter-SCF: Receives 3-Digit Sort	$0.159	38.3%	$0.061
11	National Weighted Average Cost			$0.159
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 12

Priority Mail Cost Model

Unit Cost - 5-Digit Presort

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	0%	0%	0%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	0%
3	Inter-SCF: Receives 3-Digit Sort	0%	0%	0%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.201	$0.159	$0.159

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.000	$0.000
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.000
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.000	$0.000

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.000	11.0%	$0.000
9	Inter-SCF: Bypasses 3-Digit Sort	$0.000	50.7%	$0.000
10	Inter-SCF: Receives 3-Digit Sort	$0.000	38.3%	$0.000
11	National Weighted Average Cost			$0.000
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 13

Priority Mail Cost Model

Presort Cost Avoidance Summary

	Presort Level	Unit Cost (National Average)		Cost Avoidance	
1	None	$0.420	[Table 9]	$0.000	[Line 1 - Line 1]
2	ADC	$0.227	[Table 10]	$0.193	[Line 1 - Line 2]
3	3-Digit	$0.159	[Table 11]	$0.261	[Line 1 - Line 3]
4	5-Digit	$0.000	[Table 12]	$0.420	[Line 1 - Line 4]

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
1	A1	S033	906,895
2		S244	765,138
3		S370	180,042
4	A2	S385	5,927,356
5	A3	S012	7,637,511
6		S030	3,347,622
7		S459	518,724
8		S176	755,682
9	A4	S203	8,544,559
10	A5	S008	4,143,674
11		S022	355,361
12		S208	250,704
13		S335	252,929
14		S109	201,934
15		S379	749,594
16		S287	122,106
17		S447	608,512
18		S429	70,563
19		S010	34,323
20		S221	94,262
21	A6	S333	107,495
22		S314	126,515
23	A7	S095	16,094,306
24		S241	1,972,008
25	A8	S152	3,992,887
26		S229	329,204
27		S424	212,782
28		S035	843,844
29		S439	1,805,063
30		S434	138,535
31		S372	821,378
32		S069	678,066
33		S150	1,473,523
34		S288	38,767
35	A9	S403	6,522,892
36	A10	S204	9,904,997
37		S053	2,910,406
38		S227	1,767,324
39	A11	S216	1,049,696
40		S185	968,436
41		S276	686,779
42		S323	177,984
43		S117	495,895
44		S261	751,233
45		S101	258,230
46		S021	1,130,148
47		S093	183,438
48	A12	S280	3,595,118
49		S132	350,521
50		S452	8,577,647
51		S038	711,447
52	A13	S225	2,533,504
53		S123	1,736,332
54	A14	S301	11,625,875
55		S257	649,488
56		S327	6,129,859
57	A15	S114	7,253,047
58		S055	2,031,658
59		S217	2,431,615
60	A16	S094	3,019,639
61		S177	1,688,301
62		S213	1,964,914
63		S062	463,770
64		S172	826,967
65	A17	S073	1,669,529
66		S247	157,648
67	A18	S368	9,267,123
68		S076	1,550,148
69		S130	1,829,890
70		S414	626,184
71	A19	S388	4,955,236
72		S243	1,278,384
73	A20	S043	6,967,131
74		S149	230,680
75		S248	1,819,013

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
76	A21	S267	4,149,968
77		S398	520,422
78		S380	288,033
79		S375	200,483
80		S090	546,669
81		S166	551,715
82	A22	S393	5,366,174
83		S009	630,293
84		S284	1,335,328
85		S389	1,585,697
86		S306	5,389,613
87		S075	673,307
88	A23	S460	7,227,104
89		S003	2,123,990
90		S085	283,800
91	A24	S058	8,915,133
92		S332	1,277,675
93		S325	517,696
94		S066	705,835
95		S348	289,934
96		S237	1,892,979
97		S433	3,062,575
98	A25	S107	4,455,149
99		S190	1,483,842
100		S445	571,205
101	A26	S077	9,874,180
102	A27	S296	9,051,257
103		S441	997,965
104	A28	S028	5,600,534
105		S004	860,135
106		S282	590,705
107		S467	1,190,608
108		S197	327,184
109		S358	708,287
110		S330	278,282
111	A29	S340	5,687,274
112		S196	1,914,434
113	A30	S173	9,553,779
114		S127	5,796,462
115		S116	3,858,836
116		S124	12,039,409
117		S371	2,522,452
118		S451	1,490,310
119		S286	2,916,079
120		S464	2,264,659
121		S354	1,743,433
122	A31	S082	8,302,222
123	A32	S315	8,402,481
124		S100	1,864,345
125		S365	1,160,137
126		S405	3,226,036
127		S139	11,461,472
128		S188	1,936,565
129	A33	S187	11,766,679
130		S345	922,235
131		S233	712,405
132		S245	546,468
133	A34	S136	10,137,003
134		S207	1,919,735
135		S450	1,236,296
136		S235	3,970,025
137	A35	S193	5,090,232
138		S164	5,348,420
139		S015	434,260
140		S067	1,068,078
141	A36	S078	5,900,998
142		S002	1,770,535
143		S047	2,483,263
144		S135	1,073,059
145		S222	2,149,488
146		S415	1,666,224
147		S155	744,835
148		S140	619,537
149	A37	S401	3,247,353
150		S396	564,951

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
151		S042	421,029
152		S050	616,398
153	A38	S057	7,988,400
154		S072	4,196,258
155	A39	S060	9,843,078
156	A40	S027	2,337,239
157		S416	666,420
158		S180	539,952
159		S469	763,524
160	A41	S353	2,815,455
161		S255	806,495
162		S112	6,052,904
163		S191	6,893,872
164		S413	1,039,837
165	A42	S404	405,503
166	A43	S273	4,569,689
167		S249	289,691
168		S032	1,014,159
169		S266	1,061,370
170		S440	1,345,063
171	A44	S113	9,272,217
172		S272	941,344
173		S351	494,996
174		S068	1,343,032
175	A45	S118	15,711,551
176		S343	4,322,745
177		S023	1,676,600
178		S339	5,188,057
179	A46	S271	11,014,889
180		S125	2,492,023
181	A47	S220	7,035,876
182		S126	37,145
183		S019	728,342
184	A48	S293	9,404,558
185	A49	S410	16,539,041
186		S148	905,818
187		S020	189,610
188		S106	661,150
189		S048	365,132
190	A50	S201	13,347,811
191		S304	315,746
192	A51	S355	1,247,088
193	A52	S232	4,659,637
194		S437	33,473
195	A53	S239	5,524,479
196	A54	S119	7,103,191
197		S122	2,899,546
198	A55	S211	9,793,639
199		S322	465,000
200		S238	1,697,135
201	A56	S438	3,634,946
202	A57	S252	8,866,069
203		S307	1,181,363
204		S205	1,256,439
205		S258	2,009,531
206		S178	769,816
207	A58	S263	6,778,327
208	A59	S206	5,523,832
209		S061	297,030
210		S088	324,856
211		S391	2,699,571
212		S291	2,705,582
213		S137	2,147,836
214		S086	3,240,624
215		S161	602,932
216		S157	1,951,863
217		S231	594,426
218	A60	S366	414,440
219		S105	2,001,847
220		S142	1,353,509
221		S079	1,651,618
222	A61	S336	3,989,204
223		S230	174,076
224		S318	222,720
225		S411	717,415

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
226		S425	184,810
227		S334	225,132
228	A62	S265	883,437
229		S342	720,833
230		S253	269,719
231		S034	603,155
232		S319	218,085
233		S373	540,789
234	A63	S104	9,898,779
235	A64	S384	7,781,445
236	A65	S430	6,103,158
237	A66	S240	7,285,014
238		S349	3,640,289
239		S356	2,338,050
240		S381	4,560,995
241		S083	3,903,947
242		S144	2,594,278
243		S422	2,715,433
244		S376	3,184,769
245		S309	4,151,459
246		S018	1,620,334
247		S145	2,739,182
248	A67	S041	2,475,958
249		S194	1,481,653
250		S408	1,346,902
251	A68	S466	4,925,627
252		S242	513,433
253		S250	737,840
254	A69	S120	5,988,617
255	A70	S195	7,895,235
256		S168	8,895,246
257		S312	3,674,102
258		S457	5,315,916
259	A71	S341	3,104,713
260		S361	1,650,778
261		S448	1,563,503
262		S016	670,062
263	A72	S295	5,503,550
264		S001	293,522
265		S165	167,205
266		S344	526,177
267		S169	526,311
268		S011	587,472
269		S005	104,849
270	A73	S406	7,336,121
271		S111	3,418,733
272		S121	7,091,850
273		S383	3,894,822
274		S390	2,100,519
275		S367	2,633,046
276		S347	3,984,682
277	A74	S300	8,798,998
278		S025	698,248
279		S070	645,077
280		S417	2,025,704
281		S091	2,210,882
282		S138	1,180,119
283		S270	1,802,245
284		S151	914,545
285		S006	2,195,582
286		S045	1,365,574
287	A75	S298	3,988,622
288		S279	1,185,304
289		S453	3,256,866
290		S219	1,135,155
291	A76	S418	10,336,660
292		S183	1,201,610
293		S156	4,950,480
294		S059	2,047,295
295		S129	1,783,449
296		S275	1,065,521
297		S278	808,813
298		S326	2,277,917
299	A77	S223	8,283,818
300		S224	2,523,370

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
301		S171	1,943,801
302		S007	1,132,862
303		S303	465,917
304		S096	1,942,899
305	A78	S029	7,969,002
306		S454	1,487,233
307		S044	863,702
308	A79	S397	1,497,611
309		S363	281,677
310		S259	598,849
311		S292	291,327
312		S163	288,986
313		S081	757,989
314	A80	S175	2,299,514
315	A81	S412	12,451,515
316	A82	S049	2,886,015
317		S024	2,444,422
318		S234	1,628,500
319		S031	4,422,483
320	A83	S103	2,454,471
321		S337	1,755,247
322		S210	11,508,775
323	A84	S198	9,312,225
324		S080	2,618,580
325		S089	1,512,754
326	A85	S039	14,085,185
327		S097	357,036
328		S423	1,457,202
329		S308	4,043,972
330		S260	484,127
331		S461	1,254,820
332		S317	1,061,542
333		S302	2,421,945
334		S346	924,425
335		S084	611,563
336	A86	S013	12,439,233
337		S064	380,682
338		S040	719,195
339		S065	1,230,055
340		S092	1,079,951
341		S102	632,965
342	A87	S087	5,309,168
343		S465	818,181
344		S192	3,256,735
345		S402	738,566
346	A88	S256	7,858,303
347	A89	S392	4,448,503
348		S428	1,892,603
349	A90	S158	2,469,181
350		S432	254,706
351		S377	550,592
352		S226	303,196
353		S143	523,326
354		S374	285,718
355		S262	227,917
356		S281	615,992
357	A91	S350	2,440,485
358		S128	399,218
359		S419	279,312
360		S369	1,538,520
361		S324	1,168,190
362		S382	621,718
363		S110	802,643
364		S246	507,645
365		S320	246,064
366		S131	358,596
367	A92	S362	6,415,882
368		S071	731,562
369	A93	S321	4,249,084
370		S316	6,802,298
371	A94	S297	6,079,218
372		S228	1,541,731
373	A95	S359	8,001,579
374		S159	3,218,210
375	A96	S285	1,196,906

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
376		S134	1,187,508
377		S407	980,423
378	A97	S054	6,917,218
379		S431	1,083,035
380		S215	1,706,313
381		S289	1,180,201
382		S200	1,270,217
383		S236	585,360
384	A98	S446	3,354,427
385		S098	1,138,736
386		S146	967,970
387		S352	601,064
388		S036	1,141,709
389		S329	1,820,797
390		S162	2,729,227
391	A99	S313	977,989
392		S378	459,463
393		S017	419,935
394		S449	1,282,451
395		S299	264,812
396		S444	1,153,438
397	A100	S268	1,937,556
398	A101	S214	2,202,244
399		S399	753,010
400		S218	313,329
401	A102	S184	3,483,230
402	A103	S456	4,137,620
403		S277	918,471
404	A104	S051	4,639,995
405		S046	726,536
406		S174	4,151,990
407	A105	S468	7,897,438
408		S147	651,321
409		S294	407,772
410		S108	783,700
411		S470	281,849
412		S394	525,548
413	A106	S170	968,181
414		S421	1,443,344
415		S435	311,962
416		S167	345,315
417		S074	958,541
418		S026	1,581,250
419		S290	1,656,032
420	A107	S420	13,739,441
421	A108	S254	11,069,650
422		S443	1,002,106
423		S311	2,264,559
424		S360	278,735
425		S115	1,074,110
426		S458	455,612
427		S056	1,948,788
428	A109	S199	2,592,529
429		S269	1,148,485
430		S179	717,918
431	A110	S153	5,042,478
432		S264	410,850
433		S305	2,903,508
434		S436	91,863
435		S202	202,861
436		S209	579,397
437		S455	721,228
438		S387	2,138,435
439		S154	1,816,226
440	A111	S310	5,264,066
441		S400	758,849
442	A112	S189	4,765,203
443		S357	1,072,293
444	A113	S160	6,885,864
445		S251	4,923,676
446		S364	7,968,443
447		S395	10,694,561
448	A114	S442	5,137,690

Destinating Priority Mail Volumes by ADC and Plant (Encrypted)
Source: USPS Library Reference MC2001-1/1

	ADC	Plant	Volume
449		S182	1,724,661
450	A115	S014	4,825,285
451	A116	S463	2,256,751
452		S186	1,447,358
453		S386	607,231
454	A117	S331	730,522
455		S052	525,503
456		S099	229,103
457		S212	520,482
458		S462	208,903
459		S181	668,440
460		S274	335,881
461		S427	188,570
462		S141	402,073
463	A118	S426	5,146,787
464	A119	S409	16,594,646
465	A120	S133	3,659,022
466	Total		1,279,719,670

Table 1

Priority Mail Cost Model - USPS Inputs Version

Summary of Tables: Priority Presort Discount Cost Analysis

Table	Title
1	Summary of Tables: Priority Presort Discount Cost Analysis
2	Input Data
3	MODS Input Data
4	Average Cost Per Hour by Operation
5	Unit Cost - Outgoing Sort
6	Unit Cost - Incoming Sort
7	Volumes - Destinating ADC
8	Volume by Mailflow
9	Unit Cost - Non-Presorted Mail
10	Unit Cost - ADC Presorted Mail
11	Unit Cost - 3-Digit Presort
12	Unit Cost - 5-Digit Presort
13	Presort Cost Avoidance Summary

Table 2

Priority Mail Cost Model - USPS Inputs Version

Input Data

Variability[1]

	Operation	Variability
1	Manual Priority (050/055)	52.2%
2	SPBS Priority (138/139)	64.1%
3	LIPS Priority (258/259)	64.1%
4	FSM 1000 Priority (450/451)	81.7%

Piggyback Factors

	Operation	Piggyback Factor
5	Manual Priority (050/055)[2]	1.536
6	SPBS Priority (138/139)[2]	1.632
7	LIPS Priority (258/259)[2]	1.632
8	FSM 1000 Priority (450/451)[3]	1.564

Average Wage

9	FY 2001 Wage Rate[4]	$28.450

Premium Pay

10	Priority Mail Premium Pay Factor[5]	0.99973

Sources

[1] Docket No. R2000-1, PRC-LR-5, file Part IX Variabilities.xls, sheet "PRC Variabilities".

[2] Attachment B (Adjusted Piggyback factors). LIPS Priority uses SPBS Piggyback Factor.

[3] Docket No. R2000-1, PRC-LR-10, file "piggysummary", sheet "mods".

[4] Docket No. R2000-1, PRC-LR-5, file "Part VIII Disaggregation of Wages.xls", sheet "table viii".

[5] Docket No. R2000-1, PRC- LR-10, file "mppigby.xls", sheet "Prempay_Ratio".

Table 3

Priority Mail Cost Model - USPS Inputs Version

MODS Input Data

Source: MODS FY 2000

Outgoing Sort

	Operation	Hours	TPH[1] (in 000s)	Average Productivity[2]	Variability	Marginal Productivity[3]	Perc. Of Volume
1	Manual Priority (050)	5,462,030	1,186,908.6	217.3	52.2%	416.3	71%
2	SPBS Priority (138)	1,831,072	414,208.5	226.2	64.1%	352.9	25%
3	LIPS Priority (258)	265,738	47,852.1	180.1	64.1%	280.9	3%
4	FSM 1000 Priority (450)	56,289	19,593.4	348.1	81.7%	426.1	1%
5	Total	7,615,129	1,668,562.6	219.1			100%

Incoming Sort

	Operation	Hours	TPH[1] (in 000s)	Average Productivity[2]	Variability	Marginal Productivity[3]	Perc. Of Volume
6	Manual Priority (055)	3,422,117	932,450.5	272.5	52.2%	522.0	63%
7	SPBS Priority (139)	1,735,306	486,238.3	280.2	64.1%	437.1	33%
8	LIPS Priority (259)	98,225	43,635.1	444.2	64.1%	693.0	3%
9	FSM 1000 Priority (451)	57,527	14,120.6	245.5	81.7%	300.4	1%
10	Total	5,313,175	1,476,444.5	277.9			100%

[1] TPH = Total Pieces Handled.

[2] Average Productivity = TPH / Hours

[3] Marginal Productivity = Average Productivity / Variability.

Table 4

Priority Mail Cost Model - USPS Inputs Version

Average Cost Per Hour by Operation

Average Wage	[A]	[B]	[C]	[A x B x C]
Operation	Average Wage	Premium Pay	Piggyback Factor	Cost Per Hour
1 Manual Priority	$28.450	1.000	1.536	$43.69
2 SPBS Priority	$28.450	1.000	1.632	$46.42
3 LIPS Priority	$28.450	1.000	1.632	$46.42
4 FSM 1000 Priority	$28.450	1.000	1.564	$44.48
	[Table 2 Line 9]	*[Table 2 Line 10]*	*[Table 2 Lines 5-8]*	

Table 5

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - Outgoing Sort

MODS Information	[A]	[B]	[C]	[D]
Operation	Hours	TPH (in 000s)	Marginal Productivity	Percentage of Volume
1 Manual Priority (050)	5,462,030	1,186,908.6	416.287	71.13%
2 SPBS Priority (138)	1,831,072	414,208.5	352.903	24.82%
3 LIPS Priority (258)	265,738	47,852.1	280.924	2.87%
4 FSM 1000 Priority (450)	56,289	19,593.4	426.054	1.17%
5 Total	7,615,129	1,668,562.6		100.0%

[Table 3 Lines 1-5]

Cost Calculation	[E]	[F]	[G]	[H]
Operation	Cost Per Hour	Hours Per Piece	Cost Per Piece	Portion of National Cost Per Piece
6 Manual Priority (050)	$43.687	0.00240	$0.105	$0.075
7 SPBS Priority (138)	$46.418	0.00283	$0.132	$0.033
8 LIPS Priority (258)	$46.418	0.00356	$0.165	$0.005
9 FSM 1000 Priority (450)	$44.484	0.00235	$0.104	$0.001
10 Total				$0.113
	[Table 4]	*1 / [C]*	*[E] x [F]*	*[G] x [D]*

Table 6

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - Incoming Sort

	MODS Information	[A]	[B]	[C]	[D]
	Operation	Hours	TPH (in 000s)	Marginal Productivity	Percentage of Volume
1	Manual Priority (055)	3,422,117	932,450.5	522.0	63.2%
2	SPBS Priority (139)	1,735,306	486,238.3	437.1	32.9%
3	LIPS Priority (259)	98,225	43,635.1	693.0	3.0%
4	FSM 1000 Priority (451)	57,527	14,120.6	300.4	1.0%
5	Total	5,313,175	1,476,444.5		100.0%

[Table 3 Lines 6-10]

	Cost Calculation	[E]	[F]	[G]	[H]
	Operation	Cost Per Hour	Hours Per Piece	Cost Per Piece	Portion of National Cost Per Piece
6	Manual Priority (055)	$43.687	0.00192	$0.084	$0.053
7	SPBS Priority (139)	$46.418	0.00229	$0.106	$0.035
8	LIPS Priority (259)	$46.418	0.00144	$0.067	$0.002
9	FSM 1000 Priority (451)	$44.484	0.00333	$0.148	$0.001
10	Total				$0.091
		[Table 4]	*1 / [C]*	*[E] x [F]*	*[G] x [D]*

Table 7 (multiple pages)

Priority Mail Cost Model - USPS Inputs Version

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
1	A1	3	1,852,075	945,180	906,895
2	A2	1	5,927,356	0	5,927,356
3	A3	4	12,259,539	4,622,028	7,637,511
4	A4	1	8,544,559	0	8,544,559
5	A5	11	6,883,962	2,740,288	4,143,674
6	A6	2	234,010	234,010	0
7	A7	2	18,066,314	6,122,674	11,943,640
8	A8	10	10,334,049	6,341,162	3,992,887
9	A9	1	6,522,892	2,210,608	4,312,284
10	A10	3	14,582,727	4,677,730	9,904,997
11	A11	9	5,701,839	4,652,143	1,049,696
12	A12	4	13,234,733	9,639,615	3,595,118
13	A13	2	4,269,836	1,447,047	2,822,789
14	A14	3	18,405,222	18,405,222	0
15	A15	3	11,716,320	2,031,658	9,684,662
16	A16	5	7,963,611	0	7,963,611
17	A17	2	1,827,177	1,827,177	0
18	A18	4	13,273,345	4,006,222	9,267,123
19	A19	2	6,233,620	1,278,384	4,955,236
20	A20	3	9,016,824	230,680	8,786,144
21	A21	6	6,257,290	2,107,322	4,149,968
22	A22	6	14,980,412	4,224,625	10,755,787
23	A23	3	9,634,894	0	9,634,894
24	A24	7	16,661,827	7,746,694	8,915,133
25	A25	3	6,510,196	6,510,196	0
26	A26	1	9,874,180	3,346,360	6,527,820
27	A27	2	10,049,222	0	10,049,222
28	A28	7	9,555,735	3,955,201	5,600,534
29	A29	2	7,801,708	2,643,999	5,157,709
30	A30	9	42,185,419	42,185,419	0
31	A31	1	8,302,222	2,813,623	5,488,599
32	A32	6	28,051,036	8,187,083	19,863,953
33	A33	4	13,947,787	2,181,108	11,766,679
34	A34	4	17,263,059	7,126,056	10,137,003
35	A35	4	11,940,990	4,046,802	7,894,188

Table 7 (multiple pages)

Priority Mail Cost Model - USPS Inputs Version

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
36	A36	8	16,407,939	16,407,939	0
37	A37	4	4,849,731	1,602,378	3,247,353
38	A38	2	12,184,658	4,129,381	8,055,277
39	A39	1	9,843,078	0	9,843,078
40	A40	4	4,307,135	0	4,307,135
41	A41	5	17,608,563	17,608,563	0
42	A42	1	405,503	405,503	0
43	A43	5	8,279,972	3,420,592	4,859,380
44	A44	4	12,051,589	12,051,589	0
45	A45	4	26,898,953	11,187,402	15,711,551
46	A46	2	13,506,912	0	13,506,912
47	A47	3	7,801,363	765,487	7,035,876
48	A48	1	9,404,558	0	9,404,558
49	A49	5	18,660,751	2,121,710	16,539,041
50	A50	2	13,663,557	0	13,663,557
51	A51	1	1,247,088	1,247,088	0
52	A52	2	4,693,110	1,590,495	3,102,615
53	A53	1	5,524,479	1,872,246	3,652,233
54	A54	2	10,002,737	0	10,002,737
55	A55	3	11,955,774	0	11,955,774
56	A56	1	3,634,946	0	3,634,946
57	A57	5	14,085,218	5,217,149	8,868,069
58	A58	1	6,778,327	0	6,778,327
59	A59	10	20,088,552	14,564,720	5,523,832
60	A60	4	5,421,414	5,006,974	414,440
61	A61	6	5,513,357	1,524,153	3,989,204
62	A62	6	3,236,018	2,352,581	883,437
63	A63	1	9,898,779	0	9,898,779
64	A64	1	7,781,445	0	7,781,445
65	A65	1	6,103,158	0	6,103,158
66	A66	11	38,733,750	13,126,868	25,606,882
67	A67	3	5,304,513	1,797,699	3,506,814
68	A68	3	6,176,900	6,176,900	0
69	A69	1	5,988,617	0	5,988,617
70	A70	4	25,780,499	25,780,499	0

Table 7 (multiple pages)

Priority Mail Cost Model - USPS Inputs Version

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
71	A71	4	6,989,056	6,989,056	0
72	A72	7	7,709,086	2,205,536	5,503,550
73	A73	7	30,459,773	30,459,773	0
74	A74	10	21,836,974	13,037,976	8,798,998
75	A75	4	9,565,947	5,577,325	3,988,622
76	A76	8	24,471,745	14,135,085	10,336,660
77	A77	6	16,292,667	8,008,849	8,283,818
78	A78	3	10,319,937	2,350,935	7,969,002
79	A79	6	3,716,439	2,218,828	1,497,611
80	A80	1	2,299,514	2,299,514	0
81	A81	1	12,451,515	0	12,451,515
82	A82	4	11,381,420	0	11,381,420
83	A83	3	15,718,493	15,718,493	0
84	A84	3	13,443,559	4,131,334	9,312,225
85	A85	10	26,701,817	5,557,318	21,144,499
86	A86	6	16,482,081	4,042,848	12,439,233
87	A87	4	10,122,650	4,813,482	5,309,168
88	A88	1	7,858,303	2,663,179	5,195,124
89	A89	2	6,341,106	2,149,001	4,192,105
90	A90	8	5,230,628	2,761,447	2,469,181
91	A91	10	8,362,391	5,921,906	2,440,485
92	A92	2	7,147,444	731,562	6,415,882
93	A93	2	11,051,382	6,802,298	4,249,084
94	A94	2	7,620,949	2,582,740	5,038,209
95	A95	2	11,219,789	3,802,386	7,417,403
96	A96	3	3,364,837	0	3,364,837
97	A97	6	12,742,344	5,825,126	6,917,218
98	A98	7	11,753,930	8,399,503	3,354,427
99	A99	6	4,558,088	4,558,088	0
100	A100	1	1,937,556	0	1,937,556
101	A101	3	3,268,583	1,066,339	2,202,244
102	A102	1	3,483,230	3,483,230	0
103	A103	2	5,056,091	918,471	4,137,620
104	A104	3	9,518,521	0	9,518,521
105	A105	6	10,547,628	2,650,190	7,897,438

Table 7 (multiple pages)

Priority Mail Cost Model - USPS Inputs Version

Volumes - Destinating ADC

Source: Attachment E

	ADC	Plants Served	Destinating Volume	Volume Receiving 3-Digit Sort (at ADC) Receives 3-Digit Sort	Bypasses 3-Digit Sort
106	A106	7	7,264,625	7,264,625	0
107	A107	1	13,739,441	0	13,739,441
108	A108	7	18,093,560	7,023,910	11,069,650
109	A109	3	4,458,932	1,148,485	3,310,447
110	A110	9	13,906,846	0	13,906,846
111	A111	2	6,022,915	2,041,166	3,981,749
112	A112	2	5,837,496	1,072,293	4,765,203
113	A113	4	30,472,544	30,472,544	0
114	A114	2	6,862,351	2,325,651	4,536,700
115	A115	1	4,825,285	0	4,825,285
116	A116	3	4,311,340	0	4,311,340
117	A117	9	3,809,477	3,078,955	730,522
118	A118	1	5,146,787	1,744,246	3,402,541
119	A119	1	16,594,646	0	16,594,646
120	A120	1	3,659,022	0	3,659,022
121	Total	465	1,279,719,670	550,477,924	729,241,746
122	Percentage		100.0%	43.0%	57.0%

Table 8

Priority Mail Cost Model - USPS Inputs Version

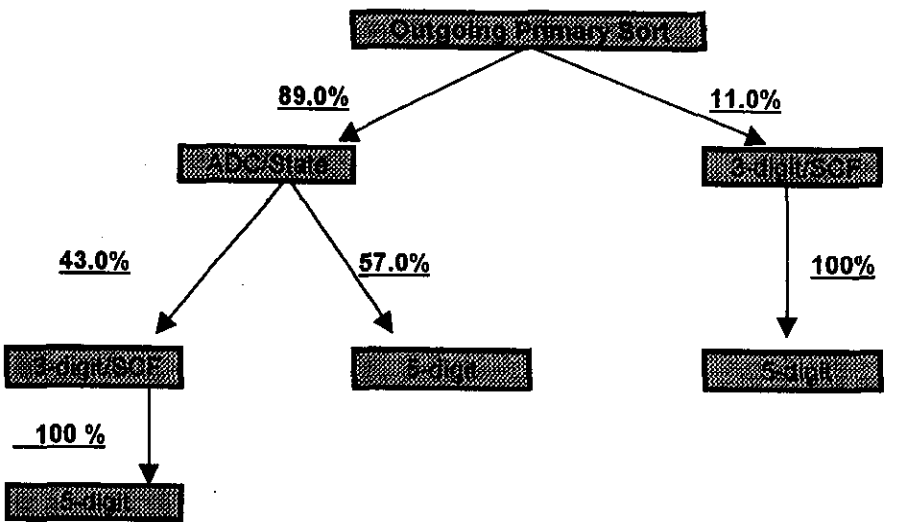
Volume by Mailflow

	Outgoing Sort	Percentage
1	Inter-SCF[1]	89.0%
2	Intra-SCF[1]	11.0%
3	Total	100.0%

	Incoming Sort: Inter-SCF	Percentage
4	Bypasses 3-Digit Sort	57.0%
5	Does not Bypass 3-Digit Sort	43.0%
6	Total	100.0%

	Overall	Percentage
7	Intra-SCF	11.0%
8	Inter-SCF: 3-Digit Bypass[2]	50.7%
9	Inter-SCF: Incurs 3-Digit Sort[3]	38.3%
10	Total	100.0%

Priority Mail Flow Model



[1] For the purposes of this testimony, Intra-SCF mail is defined as mail originating and destinating in the same SCF service area. Inter-SCF mail is defined as mail that originates and destinates in different SCF service areas. The usage of the terms does not imply any relationship to their usage in USPS transportation costing terminology.

[2] Line 1 x Line 4. This volume bypasses the three-digit sort and is sorted directly to five digits at the ADC.

[3] Line 1 x Line 5. This volume receives a separate three-digit sort. The five-digit sort occurs at either the ADC or the Plant.

Table 9

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - Non-Presorted Mail

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	100%	0%	100%
2	Inter-SCF: Bypasses 3-Digit Sort	100%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	100%	100%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.113	$0.091	$0.091

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.113	$0.000	$0.091
6	Inter-SCF: Bypasses 3-Digit Sort	$0.113	$0.000	$0.091
7	Inter-SCF: Receives 3-Digit Sort	$0.113	$0.091	$0.091

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.204	11.0%	$0.023
9	Inter-SCF: Bypasses 3-Digit Sort	$0.204	50.7%	$0.104
10	Inter-SCF: Receives 3-Digit Sort	$0.296	38.3%	$0.113
11	National Weighted Average Cost			$0.239
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 10

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - ADC Presorted Mail

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF[1]	0%	100%	43%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	0%	100%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.113	$0.091	$0.091

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.091	$0.039
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.091
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.091	$0.091

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.130	11.0%	$0.014
9	Inter-SCF: Bypasses 3-Digit Sort	$0.091	50.7%	$0.046
10	Inter-SCF: Receives 3-Digit Sort	$0.182	38.3%	$0.070
11	National Weighted Average Cost			$0.130
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

[1] Intra-SCF mail that is presorted to the ADC level will flow to the ADC serving the SCF. It will be sorted to 3 or 5 digits as is the practice at each ADC. Therefore, a certain percentage (57%) will be sorted to 5-digits at the ADC and the remainder (43%) will need to be sorted to 5-digits at the SCF.

Table 11

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - 3-Digit Presort

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	0%	0%	100%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	100%
3	Inter-SCF: Receives 3-Digit Sort	0%	0%	100%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.113	$0.091	$0.091

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.000	$0.091
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.091
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.000	$0.091

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.091	11.0%	$0.010
9	Inter-SCF: Bypasses 3-Digit Sort	$0.091	50.7%	$0.046
10	Inter-SCF: Receives 3-Digit Sort	$0.091	38.3%	$0.035
11	National Weighted Average Cost			$0.091
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 12

Priority Mail Cost Model - USPS Inputs Version

Unit Cost - 5-Digit Presort

Sort Performed

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
1	Intra-SCF	0%	0%	0%
2	Inter-SCF: Bypasses 3-Digit Sort	0%	0%	0%
3	Inter-SCF: Receives 3-Digit Sort	0%	0%	0%

Unit Cost

4	Unit Cost by Sort [Tables 5-6]	$0.113	$0.091	$0.091

	Mail Flow	Outgoing Sort	Inc. Primary Sort	Inc. Secondary Sort
5	Intra-SCF	$0.000	$0.000	$0.000
6	Inter-SCF: Bypasses 3-Digit Sort	$0.000	$0.000	$0.000
7	Inter-SCF: Receives 3-Digit Sort	$0.000	$0.000	$0.000

National Weighted Average Cost

	Mail Flow	Total Unit Cost	Percentage of Volume	National Cost
8	Intra-SCF	$0.000	11.0%	$0.000
9	Inter-SCF: Bypasses 3-Digit Sort	$0.000	50.7%	$0.000
10	Inter-SCF: Receives 3-Digit Sort	$0.000	38.3%	$0.000
11	National Weighted Average Cost			$0.000
		[Sum of Lines 5-7]	[Table 8 Lines 7-9]	[Unit Cost x Percentage]

Table 13

Priority Mail Cost Model - USPS Inputs Version

Presort Cost Avoidance Summary

	Presort Level	Unit Cost (National Average)		Cost Avoidance	
1	None	$0.239	[Table 9]	$0.000	[Line 1 - Line 1]
2	ADC	$0.130	[Table 10]	$0.109	[Line 1 - Line 2]
3	3-Digit	$0.091	[Table 11]	$0.148	[Line 1 - Line 3]
4	5-Digit	$0.000	[Table 12]	$0.239	[Line 1 - Line 4]