

USPS LR-J-87 / Docket No. R2001-1
PRC Version/ Bound Printed Matter
Mail Processing Costs

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I. Introduction

This category 5 library reference presents the "PRC version" of USPS LR-J-67 for Bound Printed Matter (BPM) mail processing volume-variable costs. The Postal Service's proposed mail processing cost method includes so-called "migrated" tallies at MODS 1&2 offices in the mail processing cost pools, whereas the Commission's method assigns such tallies to CRA Cost Segment 3.2 or 3.3 based on the tally operation code (IOCS field F260). Thus, a few tallies would be classified as mail processing under the Postal Service's method but not in this study using the Commission's method.

The first study estimates clerk and mailhandler mail processing volume-variable costs by IOCS "basic function" (IOCS field F261) and office cost pool to support the development of BPM costs. The second study separates mail processing volume-variable costs for BPM into IOCS operation 07 (acceptance) costs and all other costs. The final study separates the estimated mail processing mail processing volume-variable costs into those costs incurred at Auxiliary Service Facilities (ASFs) and costs incurred at Non-ASF facilities for BPM.

These data are used in USPS LR-J-86. Other library references referred to in this library reference include:

- USPS LR-J-74 for BY2000 PRC Methodology CRA costs
- USPS LR-J-82 for Postal Service cost methodology
- USPS LR-J-80 for TY2003 Piggyback factors
- USPS LR-J-10 for the BY2000 IOCS data set

II. Costs by Basic Function

Because of the introduction of "MODS-based" mail processing cost pools, mail processing costs are no longer available by basic function as in the pre-R97-1 LIOCATT method. To estimate mail processing volume-variable costs by basic function using the Postal Rate Commission's criteria, the IOCS direct tallies¹ for BPM mail in each cost pool are used to form

¹ "Direct" tallies are tallies for which subclass information was recorded. IOCS tallies are dollar-weighted (using IOCS field F9250) unless otherwise noted.

distribution keys for mail processing volume-variable costs by basic function within that cost pool. This distribution is expressed in percentage terms and then is applied as a distribution key to the TY2003 mail processing volume-variable costs for BPM in each cost pool. The mail processing volume-variable costs by basic function are then summed over cost pools to three major office types: MODS 1&2 offices, BMCs, and non-MODS offices.

These calculations are generated in the worksheets named "Summary" found in Microsoft Excel workbook "LR87BPMBF00.xls" and in Table 1. The direct IOCS tallies by basic function for each cost pool are shown in columns (1) through (4). The percentage distribution of this cost is shown in columns (6) to (9). The TY2003 mail processing volume-variable costs (with Test Year piggyback factors and cost ratios applied) for each cost pool are shown in column (10). The mail processing volume-variable costs distributed to basic function are shown in columns (11) to (14). Some cost pools do not have any direct tallies for BPM, and these costs are shown in column (15). Two summaries by office type are shown at the bottom of these worksheets. The second summary, labeled "Summary with No Key Distributed", distributes costs in column (15) to basic function. The costs are then summarized by non-BMCs and BMCs.

III. Costs for IOCS Operation 07

This part of the study estimates clerk and mailhandler mail processing volume-variable costs for IOCS operation 07 (platform acceptance) for BPM based on PRC cost method criteria. To develop these costs for BPM, a method similar to one described above for costs by basic function is employed, and is shown in the worksheet "Summary" found in Microsoft Excel workbook "LR87BPM0700.xls" and shown in Table 2. Direct tallies by mail processing cost pool for BPM are separated into operation 07 costs and all other costs and found columns (1) and (2). The percentage distribution of these tallies is applied to the TY2003 mail processing volume-variable costs (with Test Year piggyback factors and cost ratios applied) by cost pool. The Test Year mail processing volume-variable costs are then summed over cost pools, and the "No Key" cost is distributed in proportion to the costs in columns (7) and (8). Some cost pools do not have any direct tallies for BPM, and these costs are shown in column (9).

IV. Costs for ASFs

Mail processing volume-variable costs, for BPM, at ASFs, are developed similarly to the mail processing volume-variable costs by basic function. A site is determined to be an ASF by the finance number of the site (IOCS field F2) within the IOCS record. Once the facility type is determined, direct tallies at ASFs and non-ASFs are used to distribute TY2003 mail processing volume-variable costs. The "Summary" worksheet, found in the Microsoft Excel workbook "LR87BPMASF00.xls" shows the distribution of BPM costs. These data are also displayed in Table 3. The direct tallies are reported in columns (1) through (9). The distributed TY2003 mail processing volume-variable costs (with Test Year piggyback factors and cost ratios applied) are then summed over cost pools, and the "No Key" cost is distributed in proportion to the costs in columns (11) through (18). Some cost pools do not have any direct tallies for BPM, and these costs are shown in column (19).

V. Data Processing

The IOCS data processing is performed on a Data General AViiON minicomputer with four Pentium Pro microprocessors and one gigabyte of RAM, running the DGUX version of UNIX operating system. Source programs ending with a ".f" are FORTRAN programs. The remaining processing is performed on PCs running the Windows NT 4 and Windows 2000 operating systems and Microsoft Office.

Tables

Appendix A: Program Documentation

The following are descriptions of the programs used to develop the Bound Printed Matter (BPM) mail processing volume-variable costs for clerks and mailhandlers.

I. Preparation of the IOCS Data

The following programs are used to extract, code, and process the 2000 IOCS data in preparation for BPM direct tally rollups.

Program: **cadoc00by_rep.f** - Divides IOCS clerk/mailhandler tallies by office group (MODS 1&2, BMCs, Non-MODS) and assigns the tallies to cost pools

Input: **FY00 IOCS Data** (USPS LR-J-10)
mods_usps.00 - List of MODS 1&2 finance numbers used to identify MODS 1&2 offices

Output: **mods12_mp00by_new.dat** – IOCS mail processing tallies for MODS 1&2 offices
mods12_aw00by_new.dat – IOCS administrative and window service tallies for MODS 1&2 offices
bmcs_mp00by_new.dat – IOCS mail processing tallies for BMCs
bmcs_aw00by_new.dat – IOCS administrative and window service tallies for BMCs
nonmods_mp00by_new.dat – IOCS mail processing tallies for Non-MODS offices
nonmods_aw00by_new.dat – IOCS administrative and window service tallies for Non-MODS offices
nonmods_op88_new.dat – IOCS expedited delivery tallies for Non-MODS offices

II. Postal Rate Commission Methodology

The analyses that are described in the following sections are performed using various Postal Rate Commission (PRC) criteria, depending upon office type. Direct tally dollar weights are summed by cost pool and basic function/ASF/operation category Bound Printed Matter (BPM). To simulate the PRC methodology, IOCS tallies are assigned to a mail processing cost pool using the Postal Service assignment method but exclude any tally with a window service or administrative operation code (IOCS field F260). The direct tally dollar weights are used as a distribution key to distribute the PRC TY03 mail processing volume variable costs to basic function/ASF/operation category.

A. Mail Processing Costs by Basic Function

Program: **bf_prc.f** – Rolls ups IOCS direct tallies for Bound Printed Matter by cost pool and basic function for all office types. Excludes “migrated” window service and administrative IOCS tallies based on PRC criteria

Input: **mods12_mp00by_new.dat** – IOCS mail processing tallies for MODS 1&2 offices
bmcs_mp00by_new.dat – IOCS mail processing tallies for BMCs
nonmods_mp00by_new.dat – IOCS mail processing tallies for Non-MODS offices
iocs2000.h – Declaration of IOCS tally fields
costpools.00.619 - List of MODS 1&2 cost pools (USPS LR-J-55)

Output: **bpm_bf_prc.00** – Total IOCS direct tallies for BPM by cost pool and basic function

Workbook: **LR87BPMBF00.xls** – Summarizes the direct IOCS tallies for BPM by office type, cost pool and basic function. The direct tallies are used to distribute TY03 PRC mail processing volume-variable costs for clerks/mailhandlers to basic function within each cost pool. PRC method Test Year piggyback factors, cost ratios, and CRA worksheet adjustment factors are also applied

Input: **bpm_bf_prc.00** – Total IOCS direct tallies for BPM by cost pool and basic function
BY00 PRC mail processing volume-variable costs – BPM volume-variable costs for mail processing (USPS LR-J-82)
TY03 PRC Piggyback Factors and Cost Ratios (USPS LR-J-80)
BY00 PRC Method CRA Segment & Components Report – For Cost Segment 3.1, used to calculate the worksheet adjustment factor (USPS LR-J-74)

B. Mail Processing Costs for Operation 07

Program: **op07_prc.f** – Rolls ups IOCS direct tallies for BPM by cost pool, basic function, and operation for all office types. Operation is classified using IOCS tally field F260, Final Operation/Route Code. Excludes “migrated” window service and administrative IOCS tallies based on PRC criteria

Input: **mods12_mp00by_new.dat** – IOCS mail processing tallies for MODS 1&2 offices
bmcs_mp00by_new.dat – IOCS mail processing tallies for BMCs
nonmods_mp00by_new.dat – IOCS mail processing tallies for Non-MODS offices
iocs2000.h – Declaration of IOCS tally fields
costpools.00.619 - List of MODS 1&2 cost pools (USPS LR-J-55)

Output: **bpm_op7_prc00.csv** – Total IOCS direct tallies for BPM by cost pool, basic function, and operation category

Workbook: **LR87BPM0700.xls** – Summarizes the direct IOCS tallies for BPM by office type, cost pool, basic function, and operation. These direct tallies are used to distribute TY03 PRC mail processing volume-variable costs for clerks/mailhandlers to operation (operation 7 versus all other operations) within each cost pool. TY03 PRC mail processing volume-variable costs are further divided by basic function for the following cost pools: MODS 1&2 platform and LDC79, BMCs platform, and Non-MODS allied labor. PRC method Test Year piggyback factors, cost ratios, and CRA worksheet adjustment factors are also applied

Input: **bpm_op7_prc00.csv** – Total IOCS direct tallies for BPM by cost pool, basic function, and operation category
BY00 PRC mail processing volume-variable costs – BPM volume-variable costs for mail processing (USPS LR-J-82)
TY03 PRC Piggyback Factors and Cost Ratios (USPS LR-J-80)
BY00 PRC Method CRA Segment & Components Report – For Cost Segment 3.1, used to calculate the worksheet adjustment factor (USPS LR-J-74)

C. Mail Processing Costs by Basic Function – ASF Separation

Program: **asf_prc.f** – Rolls up IOCS direct tally costs for BPM by cost pool, basic function, and office type for all office types. Excludes “migrated” window service and administrative IOCS tallies based on PRC criteria

Input: **mods12_mp00by_new.dat** – IOCS mail processing tallies for MODS 1&2 offices
bmcs_mp00by_new.dat – IOCS mail processing tallies for BMCs
nonmods_mp00by_new.dat – IOCS mail processing tallies for Non-MODS offices
iocs2000.h – Declaration of IOCS tally fields
costpools.00.619 - List of MODS 1&2 cost pools (USPS LR-J-55)
asf.fin.srt – List of ASF finance numbers

Output: **bpm_asf_prc.00** – Total IOCS direct tallies for BPM by cost pool, basic function, and ASF category

Workbook: **LR87BPMASF00.xls** – Summarized the direct IOCS tallies for BPM by office type, cost pool, basic function, and ASF versus non-ASF. These direct costs are used to distribute TY03 PRC mail processing volume-variable costs for clerks/mailhandlers to basic function and ASF category within each cost pool. PRC method Test Year piggyback factors, cost ratios, and CRA worksheet adjustment factors are also applied

Input: **bpm_asf_prc.00** – Total IOCS direct tallies for BPM by cost pool, basic function, and ASF category
BY00 PRC mail processing volume-variable costs – BPM volume-variable costs for mail processing (USPS LR-J-82)
TY03 PRC Piggyback Factors and Cost Ratios (USPS LR-J-80)
BY00 PRC Method CRA Segment & Components Report – For Cost Segment 3.1, used to calculate the worksheet adjustment factor (USPS LR-J-74)

Appendix B: Program Lists

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Section I: Preparation of IOCS Data

(Program: cadoc00by_rep.f)

Appendix B: Program Lists

Section II: Mail Processing Costs by Basic Function

(Program: bf_prc.f)

Appendix B: Program Lists

Section III: Mail Processing Costs for Operation 07

(Program: op07_prc.f)

Appendix B: Program Lists

Section IV: Mail Processing Costs by Basic Function – ASF Separation

(Program: asf_prc.f)