

Docket No. R2005-1

USPS-LR-K-120

PRC Version of Standard Mail Unit Costs by Shape

Preface

This is a Category 5 library reference provided in response to POIR No. 2, question 2. This library reference documents the development of the test year unit costs by shape for Standard Mail Regular and Standard Mail ECR using inputs developed under the PRC cost methodology. This library reference relies upon test year mail processing costs by shape and test year volume ratios as developed in USPS-LR-99; test year window service costs by shape as developed in USPS-LR-K-106; test year delivery costs by shape as developed in USPS-LR-K-101; test year vehicle service, transportation, and total costs as developed in USPS-LR-K-96; test year piggyback factors as developed in USPS-LR-K-98; base year volume and weight inputs from witness Loetscher (USPS-T-32) as developed in USPS-LR-K-87; and pounds-per-cubic foot density factors from witness Nash (USPS-T-17) as developed in USPS-LR-K-33. This library reference updates a previous study (USPS-LR-J-199), *PRC Version of TY Flat/Parcel Cost Differential*, provided in Docket No. R2001-1.

Table of Contents

I. Introduction4
II. Organization4

List of Tables

Table 1: TY06 PRC CRA Unit Costs (cents per piece).....6
Table 2: TY06 Standard Mail Flat/Parcel Unit Cost Differential, PRC
Methodology7

I. Introduction

This library reference provides the supporting documentation and analyses used to estimate test year unit costs by shape for Standard Mail Regular and Standard Mail ECR using inputs developed under the PRC cost methodology. This is a Category 5 library reference provided in response to POIR No. 2, question 2. This library reference updates a previous study (USPS-LR-J-199) provided in Docket No. R2001-1. The methodology used to develop the results in this library reference is the same as that used in USPS-LR-J-199/R2001-1.

This library reference relies on other library references in this docket. The following sources are used:

- USPS-LR-K-99 for test year mail processing costs by shape and test year volume ratios
- USPS-LR-K-106 for test year window service costs by shape
- USPS-LR-K-101 for test year delivery costs by shape
- USPS-LR-K-96 for test year vehicle service, transportation, and total costs
- USPS-LR-K-98 for test year piggyback factors
- USPS-LR-K-87 (Loetscher) for base year volume and weight inputs
- USPS-LR-K-33 (Nash) for pounds-per-cubic foot density factors

II. Organization

This library reference consists of eight sheets in the Excel workbook 'LR-K-120.xls.' The sheets 'Volumes' and 'Weight' contain base year piece and weight data by shape, respectively, adjusted to test year values using test year volume ratios. The 'Weight' sheet also contains estimates of cubic feet by shape based on density factors found on the 'Density' sheet. Test year costs for vehicle service and transportation are adjusted with test year piggyback factors on the 'TY06 CRA' sheet. Test year costs for delivery services by shape are adjusted with test year piggyback factors on the 'Carrier Costs' sheet. Costs by shape and cost component are reported on the 'Costs' sheet. For components 3.1, 3.2, 6.1, 6.2, 7.1, 7.2, 7.3, 7.4, and 10, test year costs are distributed to shape based on results from other library references, with appropriate piggyback factors

applied. For component 8 and for the highway/rail portion of component 14, test year costs are distributed to shape using cubic feet data. For the air/water portion of component 14 and for all other costs, test year costs are distributed to shape using weight data. The resulting unit costs by shape and cost component for each Standard Mail subclass are reported in the 'Unit Costs' sheet. These unit costs are reproduced in Table 1 below. The overall unit cost differential between flats and parcels for each Standard Mail subclass are provided in the 'Summary' sheet. These results are reproduced in Table 2 below.

Table 1: TY06 PRC CRA Unit Costs (cents per piece)
Piggyback Factors Applied

Standard Mail - Regular Rate

Shape	(1) C/S 3.1 Clk/Mh Mail Proc	(2) C/S 3.2 Clk/Mh Window	(3) C/S 6.1 City Carrier In-Office	(4) C/S 6.2 City Carrier Support	(5) C/S 7.1 City Carrier Network Travel	(6) C/S 7.2 City Carrier Access	(7) C/S 7.3 City Carrier Deliv Actv	(8) C/S 7.4 City Carrier Street Support	(9) C/S 8 Vehicle Service	(10) C/S 10 Rural Carriers	(11) C/S 14 Air & Water	(12) C/S 14 Highway & Railroad	(13) Other	(14) Total
Letters	4.62	0.11	1.06	0.24	0.05	0.39	0.86	0.44	0.07	0.68	0.02	0.32	0.16	9.03
Flats	15.79	0.14	4.30	0.98	0.05	0.39	0.67	1.07	0.28	2.33	0.11	1.39	0.83	28.35
Parcels	70.06	0.86	6.39	1.45	0.05	0.39	12.42	3.46	0.67	7.52	0.27	3.28	1.96	108.78
Total	7.71	0.12	1.83	0.42	0.05	0.39	0.93	0.61	0.12	1.11	0.04	0.59	0.33	14.25

Standard Mail - Enhanced Carrier Route

Shape	(1) C/S 3.1 Clk/Mh Mail Proc	(2) C/S 3.2 Clk/Mh Window	(3) C/S 6.1 City Carrier In-Office	(4) C/S 6.2 City Carrier Support	(5) C/S 7.1 City Carrier Network Travel	(6) C/S 7.2 City Carrier Access	(7) C/S 7.3 City Carrier Deliv Actv	(8) C/S 7.4 City Carrier Street Support	(9) C/S 8 Vehicle Service	(10) C/S 10 Rural Carriers	(11) C/S 14 Air & Water	(12) C/S 14 Highway & Railroad	(13) Other	(14) Total
Letters	1.58	0.02	0.94	0.21	0.10	0.52	0.63	0.41	0.07	2.89	0.00	0.09	0.06	7.53
Flats	1.43	0.02	1.06	0.24	0.10	0.52	1.33	0.56	0.24	1.41	0.02	0.30	0.27	7.49
Parcels	907.54	0.01	119.44	27.07	0.10	0.52	1.33	25.46	0.29	0.39	0.02	0.38	0.34	1,082.89
Total	1.51	0.02	1.03	0.23	0.10	0.52	1.15	0.52	0.19	1.79	0.01	0.25	0.22	7.56

(1) Source: USPS-LR-K-99 - shp06prc.xls, worksheet 'Summary (2)', rows 27 & 29
 (2)-(14) Source: calculation

Table 2: TY06 Standard Mail Flat/Parcel Unit Costs Differential, PRC Methodology			
Standard Mail Regular		Standard Mail ECR	
	Cost per Piece (cents)		Cost per Piece (cents)
Parcels	108.78	Parcels	1,082.89
Flats	28.35	Flats	7.49
Difference	80.44	Difference	1,075.40