

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

REVISED RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S INFORMATION REQUEST NO. 4 (ERRATA)
(May 25, 2005)

The United States Postal Service hereby provides a revised response to question number six of Presiding Officer's Information Request No. 4 (POIR 4). POIR 4 was issued May 10, 2005, and the initial response was filed on May 24, 2005. In the haste to meet the filing deadline, an older version of the response to question number six was inadvertently attached. The older version was missing a paragraph at the end of the response. This revised response to question number six contains that paragraph.

The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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POIR NO. 4, QUESTION 6

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6. Please refer to the Skin Sack Reduction Program shown in USPS-LR-K-49, Attachments C and D. Explain in detail the derivation of the Mail Handler work hour cost reductions in FY 2005 (215) and FY 2006 (446).

RESPONSE:

The mailhandler workhour adjustments associated with the skin sack reduction program were derived as follows. The mail characteristic data collected from the Mail.dat files and the survey of small publications adjusted to national estimates, presented in Table 3 of USPS-LR-K-91, were used to estimate the number of sacks that would be affected by the change in regulations regarding sack size. The assumption was made that all Carrier Route, 5-Digit, SCF, and ADC sacks that had 23 or fewer pieces in them would be eliminated. In addition, 90 percent of 3-Digit sacks with 23 or fewer pieces in them would also be eliminated. These assumptions were developed through discussions with Operations and Mail Acceptance personnel. The total number of sacks estimated to be affected by the change in regulations was 37,968,760. Subsequent work developing the data in USPS-LR-K-91 led to a slightly different number of sacks: 38,221,284. However, by the time USPS-LR-K-91 was finalized, the cost reductions associated with this program had been fully incorporated into the rollforward model. Revising the estimated workhour reductions and reproducing the rollforward would have necessitated the revision of a significant number of downstream analyses for what was less than a 1% difference in the number of sacks.

The second step involved estimating the workhour savings associated with a reduction in handling sacks. This was performed by reference to USPS-LR-J-100, the pallet cost analysis. The portion of USPS-LR-J-100 that estimated sack movement costs was adjusted to TY 2006 figures. This was accomplished by multiplying the

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productivity figures, except for the one for “Dump Sacks at Bundle Sort”, shown in the library reference by the ratio of the TY 2003 (R2001-1) nonmods allied labor volume variability to the TY 2006 (R2005-1) nonmods allied labor volume variability. The productivity for “Dump Sacks at Bundle Sort” was adjusted by the ratio of the weighted averages for the volume variabilities for Mechanized Parcels, SPBS - Non Priority, SPBS – Priority, Opening Unit – BBM, Opening Unit – Preferred Mail, Pouching Operations, and SPBS & Irregular Parcels – BMC. This adjustment updated the productivity figures for the volume variabilities used in this docket. The inverse of the product of the productivities multiplied by the conversion factors (the number of sacks per container) results in the estimated hours per sack of the individual activities. The sum of those represents the hours per sack, 0.0162, associated with the identified handlings.

The number of affected sacks was adjusted to represent the FY 2006 numbers of affected sacks by multiplying the 37,968,760 by the ratio of the forecasted FY 2006 Periodicals volume to the FY 2004 Periodicals volume. The sum of the forecasted Periodicals volume for Q4 of FY 2005 plus one-third of the Q3 FY 2005 volume, representing the portion of the fiscal year during which the regulations were anticipated to be in force, was divided by the FY 2004 Periodicals volume. This ratio was multiplied by the FY 2004 volume to arrive at the estimated number of sacks affected in the portion of FY 2005. The number of sacks for FY 2005 and FY 2006 were then multiplied by the 0.0162 hours per sack to obtain the number of hours saved in each year. The total number of hours saved in FY 2006 was estimated to be 661,142 which

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was 445,802 more than those saved in the part year of FY 2005. The attached chart provides the analysis.

It should be noted that the estimate is conservative since it reflects only savings at the destination facilities. However, it would be expected that further workhour reductions will be realized at origin facilities with fewer origin sack handlings and through a reduction in the overall network sack sorting workload for Periodicals. It is expected that the residual benefits of this initiative will be a significant contributor to the overall effort to decrease Periodicals costs.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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