

# **USPS-LR-L-108**

**PRC Version of Periodicals Container Cost  
Analysis**

## **Preface**

This is a Category 5 library reference. This library reference documents the development of the test year cost differential between Periodicals flat-shaped mail prepared on pallets and in sacks using inputs developed under the PRC cost methodology. This library reference relies upon base year PRC mail processing volume-variability factors as developed in USPS-LR-L-100; pieces-per-container conversion factors from witness Loetscher (USPS-T-28) as developed in USPS-LR-L-91; and test year PRC cost and volume factors as developed in USPS-LR-L-98 and USPS-LR-L-99.

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## I. Introduction

This library reference provides the supporting documentation and analyses used to estimate the test year cost differential between mailings prepared on pallets and mailings prepared in sacks for Periodicals flat-shaped mail using inputs developed under the PRC cost methodology. This is a Category 5 library reference.

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

- USPS-LR-L -98 for test year PRC piggyback factors by cost segment, premium pay factors and volume ratios by subclass, and clerk and mail handler labor rates
- USPS-LR-L-99 for test year PRC piggyback factors by mail processing cost pool, and unit costs by mail processing cost pool, subclass and shape
- USPS-LR-L-100 for base year PRC mail processing volume-variability factors by cost pool
- USPS-LR-L-91 (Loetscher) for piece per container for flat-shaped Periodicals
- USPS-LR-H-111/R97-1 (Smith) for sacks per other wheeled container
- USPS-T-26/R2000-1 (Eggleston), USPS-T-27/R2000-1 (Crum), and the Planning Guidelines for operations productivities

## II. Organization

This library reference consists of three sheets in the Excel workbook 'LR-L-108.xls.' The methodology used to generate the results within this workbook is the same as that used in USPS-LR-L-85, with the exception that inputs developed under the PRC cost methodology are used. The sheet 'Parameters' contains the parameters used in the cost analysis. The sheet 'Variability' contains the calculation of the composite volume variability factor for bundle distribution. The sheet 'Table 1' contains the cost calculations. Table 1 provides the major results of the study; it is reproduced below.

### **III. Methodology**

Mail processing activities are identified that follow the path of Periodicals pieces in sacks and pallets from unloading vehicles through bundle distribution. Productivity by activity is divided into an average hourly wage rate to obtain the cost per container for each activity. The productivities have been adjusted by dividing by the PRC version volume variability factor. Cost per container estimates are adjusted by the appropriate PRC piggyback and premium pay factors. They are next divided by pieces per container to obtain cost per piece by activity. Cost per piece by activity is summed across activities for sacks and pallets separately. This yields unit cost estimates for handling sacks and pallets.

**Table 1: Flat-Shaped Periodicals Container Cost Analysis, Test Year 2008, PRC Version**

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Activity		Productivities Value Units	Conversions Value Units	Labor Rate	Piggyback Factor	Premium Pay Factor	Unit Costs	
							Per Container	Per Piece
Sacks	Unload OWC	21.588 OWC/Hr	26.500 Sacks/OWC	37.830	1.6004	1.0175	\$0.1070	\$0.0024
	Move OWC to Bundle Sort Op.	21.909 OWC/Hr	26.500 Sacks/OWC	37.830	1.6004	1.0175	\$0.1054	\$0.0023
	Dump Sacks at Bundle Sort	105.557 Sacks/Hr	1.000	37.830	1.6004	1.0175	\$0.5798	\$0.0129
	Empty Sack Handling	180.708 Sacks/Hr	1.000	37.830	1.6004	1.0175	\$0.3387	\$0.0075
	Empty OWC Handling	21.909 OWC/Hr	26.500 Sacks/OWC	37.830	1.6004	1.0175	\$0.1054	\$0.0023
							\$1.2363	\$0.0274
Pallets	Unload Pallet	12.714 Pallets/Hr	1.000	37.830	1.6004	1.0175	\$4.8138	\$0.0029
	Move Pallet to Bundle Sort Op.	9.421 Pallets/Hr	1.000	37.830	1.6004	1.0175	\$6.4964	\$0.0040
	Dump Pallet	6.536 Pallets/Hr	1.000	37.830	1.6004	1.0175	\$9.3639	\$0.0057
	Empty Pallet Handling	180.708 Pallets/Hr	1.000	37.830	1.6004	1.0175	\$0.3387	\$0.0002
							\$21.0127	\$0.0128
							Cost Difference:	\$0.0146

Sources:

[1] Productivities obtained from USPS-T-26/R2000-1, USPS-T-27/R2000-1, & PGLs, adjusted with variability factors from USPS-LR-L-100/R2006-1

[2] Conversions obtained from USPS-LR-H-111/R97-1

[3] Labor Rate obtained from USPS-LR-L-98/R2006-1

[4] Piggyback Factor obtained from USPS-LR-L-98/R2006-1

[5] Premium Pay Factor obtained from USPS-LR-L-98/R2006-1

[6] = ([4] + [5] - 1) x ([3] / ([1] x [2]))

[7] = [6] divided by pieces per container; 45.1 pieces per sack and 1641.6 pieces per pallet, from USPS-LR-L-91/R2006-1.