

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Modification of Analytic Principles in Periodic
Reporting (Proposals Three through Nineteen)

Docket No. RM2009-10

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued September 17, 2009)

To clarify the basis of Proposals Four, and Six through Ten, the Postal Service is requested to provide a written response to the following questions. Responses should be provided by September 28, 2009.

Proposal Four

1. Please provide a description of the changes that Proposal Four would require in the "B" workpapers (CS6&7.XLS, CS12.XLS, and I-Forms.XLS) and any changes to the control files or cost reports used and generated by the CRA model.

Proposal Six

2. The Proposal notes that the mechanical changes required to implement the Proposal would occur in worksheet I-Forms.XLS and would flow through to the "B" workpapers CS06&7.XLS and CS10.XLS. Please explain in full detail the changes that would occur in the "B" workpapers worksheets, CS06&7.XLS and CS10.XLS. Include in the explanation the changes that would be needed in the worksheets within the files and specify the worksheet tab names that are affected by the change.

3. This question pertains to the table that accompanies Proposal Six.
 - (a) Please confirm that "Total Volume Variable Costs" (the sum of rows 46-48) in Column (5) are \$2,541,351,000 and not \$2,540,313,000 as shown in the table.
 - (b) Please also confirm that "Other" costs shown in row 50 should be \$3,952,372,000, and not \$3,953,410,000 as shown in the table.
 - (c) If not confirmed, please explain.

Proposal Seven

4. These questions pertain to the Proposal to treat the costs of certain delivery-related office activities as volume variable rather than institutional. The Proposal states that "[s]pecifically, costs currently considered institutional, costs for 'leaving or preparing to leave for route and returning from route or activities related to return' will be shifted to a new activity code [6422] and *treated as volume variable to the same extent as all of CS 6 and CS 7 combined,*" and later states that "[activity] code 6420 also includes an additional \$244 million in costs that are for 'other' activities and 'routine office work' and those types of costs should remain institutional." (Emphasis added.)
 - (a) The FY 2008 cost segment workpapers provided in the FY 2008 Annual Compliance Report did not include Activity Code 6420 in the spreadsheets I-Forms.XLS or CS6&7.XLS. Please indicate where the \$463 million included in Activity Code 6420 in Table 1 costs is found.
 - (b) Please show and explain the calculation(s) that determined the combined variability of segments 6 and 7. Please document the source(s) used to make the calculation(s).
 - (c) The Proposal also states that the \$219 million identified in Activity Code 6422 is comprised of \$124.6 million in In-Office Support Overhead, and \$37.6 million in In-Office Support Other. Please show and explain how

these two volume-variable costs were obtained, and identify all other costs in former Activity Code 6420, along with their associated activities.

Proposal Eight

5. The attachment to Proposal Eight states that the sampling frame “is created from the most recent records from the Time and Attendance Collection System (TACS)...[b]ecause City Carriers must indicate a route number when clocking into LDC 23 operations....”
 - (a) Please confirm that USPS-L-55, part 1, Labor Distribution Codes.pdf, page 2 of 8, Docket No. R2006-1, states that LDC 23 operations include “[a]ll nonsupervisory hours used for the delivery of parcel post, relays, intra/intercity runs...and combination routes. [They include] those portions of combination routes that are letter delivery or collection related.”
 - (b) If confirmed, please indicate whether the activities listed are only performed on special purpose routes.
 - (c) If not confirmed, please indicate whether the data in TACS LDC 23 has a field distinguishing time spent on special purpose routes from time spent on non-special purpose routes.
 - (d) If TACS LDC 23 contains activities in addition to those performed on special purpose routes, please estimate the percent of time in LDC 23 that is not spent on special purpose routes for each of the four strata listed on page 3 of the Attachment to Proposal Eight. Please also describe the activities in LDC 23 that are performed on special purpose routes, and any activities that are not performed on special purpose routes.
 - (e) If any non-special purpose route time is identified above, will the corresponding non-special purpose route volumes be excluded from the sample? Please explain fully.

6. The attachment to Proposal Eight, at page 4, states that “routes from each stratum are randomly selected.”
- (a) Please provide the number of routes in each stratum. Does the sum of these values equal a sample, or the total population of special purpose routes? Please explain fully.
 - (b) Please provide the percentage of routes by stratum to be sampled for data collection, and the percentage of the total available route days per quarter for which data are to be collected, also by stratum.
7. The first formula on page 6 of the attachment to Proposal Eight calculates the weighting factor by quarter and sampled route to be used to derive total volume estimates.
- (a) Please confirm that the “blow up” factor N_{hk}/n_{hk} represents the inverse of the ratio of tested hours in quarter h in stratum k to actual hours in the stratum, per the notation on page 5. If not, please explain.
 - (b) If not confirmed, please explain why the inverse of the tested number of routes to the actual number of routes by stratum is not used, consistent with the sample design in the City Carrier Cost System (CCCS) and Rural Carrier Cost System (RCCS)? In the explanation, please describe how use of the proposed factor N_{hk}/n_{hk} , would avoid bias in the estimates of total SPR volume by product.
 - (c) Please confirm that the weighting factor assumes that all available route days per quarter are to be tested for selected routes; otherwise, an added factor (the ratio of total available route days to actual route days tested) would be needed in the calculation. If not confirmed, please explain fully.

8. Please provide all variance estimation formulas used to calculate sampling errors and coefficients of variation at the distribution key level, as referenced on page 7 of the attachment to Proposal Eight.

Proposal Nine

9. Please refer to Proposal Nine, Item No. 1 (Carrier Pickup Requests).
 - (a) Please confirm that Rural Carrier Pickup Requests are currently treated as volume variable.
 - (b) If not confirmed, please explain how Rural Carrier Pickup Requests are treated and provide a rationale for the Proposal to combine the time for Rural Carrier Pickup Requests and Carrier Pickup Items into one volume-variable cost pool for variability analysis.
10. Please refer to Proposal Nine, Item No. 3 (Non-Signature Scan Items).
 - (a) Please provide a complete list of “Non-Signature Scan Items.”
 - (b) Please provide a rationale for proposing to treat the above “Non-Signature Scan Items” as a fixed cost pool for rural carrier variability analysis.
 - (c) Please identify the evaluation factors associated with each of the “Non-Signature Scan Items.”
 - (d) Please explain the current method used to “pull out” the time for Delivery Confirmation scans.

Proposal Ten

11. Please provide electronic copies of the workbooks that are used to calculate values in the column entitled “DPS/SS Key” in the table supporting this Proposal. Specifically, please provide the altered I-Forms.xlsx, Sheet: I-CS10RCS, and all of the worksheets in the altered CS10.xlsx.

12. Please explain the apparent inconsistency between the statement on page 2 of this Proposal, “First Class Single Piece Letters costs rise by 456 thousand dollars and Standard Regular Letters cost[s] decrease by 696 thousand dollars” and the change in the values for these products as shown in the Table on page 3 of this Proposal.
13. Please confirm that EMA costs have been included in “Other Costs.” If not confirmed, please explain.
14. Please provide the estimated percentage of DPS letters that would now be classified as Sector Segment Letters because they are delivered on routes where less than 400 DPS Letters per week are delivered during the Rural Mail Count.
15. The text at page 1 of this Proposal states that “DPS and Sector Segment letters can arrive at the carrier case co-mingled...”
 - (a) Please explain at what point or points in the flow of mail processing and delivery the co-mingling occurs.
 - (b) Please explain why this co-mingling occurs.
 - (c) Please provide an estimate of the percent of DPS plus Sector Segment Letters that arrive at the carrier case co-mingled.

By the Chairman.

Ruth Y. Goldway