

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

MODIFICATION OF ANALYTIC PRINCIPLES IN
PERIODIC REPORTING (PROPOSALS THREE
THROUGH NINETEEN)

Docket No. RM2009-10

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S
INFORMATION REQUEST NO. 1
(September 29, 2009)

The Postal Service hereby files its responses to questions 1-15 of Chairman's Information Request No. 1, filed on September 17, 2009. Each question is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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September 29, 2009

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1. (Proposal Four) 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.

RESPONSE:

Proposal Four requires only one change to the spreadsheets in CS6&7. A new column is added to the 'OutputstoCRA' sheet labeled Carrier Letter Route Key. This column sums the Letter Route Delivery Activity costs in columns 19 through 23 on worksheet 7.0.6. This column is then uploaded to the CRA Model along with the other carrier cost components and the SPR Distribution Key component. No changes are required in the spreadsheets for CS 12.

The following changes are made to the CRA Model control table:

**CRA CONTROL TABLE CHANGES FOR CARRIER LETTER
ROUTE KEY
USED IN C/S 12**

Task	Description	Control Sheet
1	Add new component 579 for Carrier Letter Route Key to C/S 98.3. Component gets GDEI adjustment. Component entered by rate from CRA Spreadsheets. Component should be printed in I Report.	Comp Master
2	A Module DK or Source Component changed from 46 to 579 for components 83 (C/S 12.1.1.1) and 92 (C/S 12.2.1.1).	Comp Master
3	Insert new DK component 579 into DK Master after component 578 and before component 605 and add check under A Module. Components distributed are 83, 92.	DK Master

No changes are required in any of the formats for the cost reports generated by the CRA Model.

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2. (Proposal Six)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.

RESPONSE:

The following changes are needed to the CRA spreadsheets to implement proposal Six.

CRA SPREADSHEET UPDATES TO IMPLEMENT PROPOSAL SIX

Workbook	Sheet	Function	Cell	Description
I_Forms.xls	I-DC	Calculate cost per scan for rural carriers	B10 B11	Rural Carrier Wage Rate (31.4562 for FY 2008) Cost per scan = 18/3600 * B10
I_Forms.xls	I-RPW	Proportion Insurance Requiring Signature	C89	RPW pieces for Insurance > \$200 / Total Insurance For FY 2008 proportion = 17.9%
CS06&7.xls	Input LR new	Insurance requiring signature	D42	Multiply CCS Insurance pieces in I_Forms.xls, sheet I-CS07 CCS, cell F49 by proportion requiring signature in I-RPW, cell C89
CS06&7.xls	Input LR new	Insert new line after row 44, labeled Insurance Without Signature	D45	Total CCS Insurance pieces minus those with signature
CS06&7.xls	7.0.4.2	Calculate total city carrier scan cost	I11	Input LR New cell D45 x Input LR New cell D53 (Insurance requiring scan only x cost per scan)
CS06&7.xls	7.0.4.2	Distribute scan cost to delivery modes	Row 11, Cols D - H	Distribute insurance scans in same proportion as costs by mode in row 9
CS06&7.xls	7.0.4.2	Calculated Adjusted Deliveries Accreud	Row 12	Subrract rows 10 and 11 from row 9
CS06&7.xls	7.0.6	Add Insurance scan cost	Y44	Link to 7.0.4.2 cell I11 Rename column "Delivery Confirmation and Insured"
CS10.xls	Inputs DK	Update Accountables DK to include Insurance requiring signature	J44	Multiply RCCS volume for Insurance in I_Forms.xls, CS10 RCS, cell N45 by proportion requiring signatures in I-RPW, cell C89
CS10.xls	Inputs	Insert new cell containing Rural Carrier cost per scan	C44	Link to I_Forms.xls, I-DC, cell B11
CS10.xls	NEW 10.4	Insert new worksheet 10.4 to calculate Insurance scan cost	Step 1 Step 2 Step 3	Number of Insurance Scans Multiply RCCS volume for Insurance in I_Forms.xls, CS10 RCS, cell N45 by1 minus proportion requiring signatures in I-RPW, cell C89 Cost per transaction - Link to Inputs, cell C44 Scan Cost = Step 1 x Step 2
CS10.xls	10.1.2	Add scan cost to rural carrier attributable Insurance costs	N44	At end of existing formula add a " + " and then link to 10.4, Step 3
CS10.xls	10.1.2	Subtract scan cost from Other cost	O66	At end of existing formula add a " - " and then link to 10.4, Step 3

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3. (Proposal Six) 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.

RESPONSE:

a) Confirmed.

b) Confirmed.

c) Not applicable.

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4. (Proposal Seven) 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.

RESPONSE:

(a) Activity code 6420 is not explicitly included in I-Forms.xls and CS6&7.xls.

Worksheet 6.0.3 in CS6&7.xls assigns the cost for activity codes not explicitly treated to fixed cost on line 3 (Excel row 11). The cost associated with activity code 6420 is included with the \$470.9 M in Other cost shown on this line.

(b) The calculation of the variability is made using these steps:

- Explicitly add loading costs in new activity code 6422 to I-Forms.xls, sheet I-CS07.1. Note that for proposal seven the loading cost was not known by route type, and is put into letter routes.
- Add the loading costs to component 604 in CS6&7.xls, sheet 6.0.3, after Line 18. Adding the costs to component 604 removes the loading costs from Other (Fixed) costs on Line 4, reducing the variability of In-Office Direct Labor to 92.7%.

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- Loading costs are shown on worksheet 7.0.4.1 along with other office/street burdens Clocking In/Out and Training, at the bottom of the worksheet. Office/street burdens total \$678.9M.
- Worksheet 7.0.4.2 distributes the \$678.9M in office/street burdens to Delivery Activities, Network Travel, and Office, based on the proportion of Letter Route costs. See Lines 18 – 21.
- \$416.5M in office/street burdens assigned to Delivery Activities is distributed on worksheet 7.0.6, column 28 based on the sum of the Letter Route Delivery Activity cost pools in columns 19 – 23 and 25.
- \$201.7M in office/street burdens assigned to In-Office is distributed on worksheet 7.0.6, column 27, based on In-Office Direct Labor on worksheet 6.0.2.1.
- \$60.6M in office/street burdens assigned to Network Travel is shown in column 29 on Worksheet 7.0.6 and is institutional.
- The variability for office/street burdens in component 604, which includes Loading costs, is 53.4%. This is calculated by summing Total Attributable in columns 27 – 29, line 51 and dividing it by Total Cost in line 53.

(c) Proposal Seven Impact states that

In FY08, the costs of the activities related to returning and preparing to leave for route were \$219 million. The costs were institutional. The proposal would have had the effect of shifting \$162.2 million to volume variable cost. In addition to the \$124.6 million in In-Office Support Overhead directly resulting from the loading and unloading activities, there is also \$37.6 million in volume variable cost in In-Office Support Other, resulting from piggybacks.

There is an increase in \$124.6 million in attributable cost in In-Office Support Overhead (component 604) after activity code 6422 costs are shifted into that component.

The variability of In-Office Direct Labor increases from 87.2 percent to 92.7 percent after shifting the \$219 million out of fixed cost in In-Office Direct Labor. This increase in variability results in the increase in \$37.6 million in

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attributable cost in In-Office Support Other, which is distributed in the CRA Model in proportion to In-Office Direct Labor.

The \$219 million in activity code 6422 was included with activity code 6420 in the FY 2008 CRA. The remaining costs in activity code 6420 are generated by carriers performing "Other Activities" at questions Q16F3a, "Activities at Carrier Case", option I, or Q16F3b, "Activities Away from the Carrier Case", option H. These are residual activities that are not included in the other options for these two questions. The primary examples of activities that fall into this category are believed to be: route maintenance activities (including updating route information books and databases, updating case labels, dealing with hold mail requests); administrative tasks (including general office work and answering phones), waiting for mail, communicating with supervisors or other employees, union activity, assisting customers, and transiting to or from their work area.

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5. (Proposal Eight) 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.

RESPONSE:

(a) Confirmed

(b) Activities performed while a carrier is clocked to LDC 23 are, by definition, assigned to special purpose routes. Similar activities such as delivering parcels or relays may also be performed on letter routes, but that time is not included as part of LDC 23 hours. Combination routes, by definition, are special purpose routes and, thus those workhours are included within LDC 23.

(c) By definition, LDC 23 hours indicates the time spent on special purpose routes.

(d) Not applicable, please see response to part c)

(e) Not applicable, please see response to part d)

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6. (Proposal Eight) 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.

RESPONSE:

(a) See Table 1.

Table 1 SPR Sample Selection

PQ3 FY09 Stratum	TACS Routes	TACS Street Hours (2 Pay Periods)	Proportion of Routes Sampled	Proportion of Route Days Sampled
C1	2,943	329,082	0.05666	0.00074
C2	240	72,736	0.15356	0.00199
C3	2,113	42,726	0.01025	0.00013
C4	1,047	48,841	0.02364	0.00031
Total in Frame	6,343	493,384		
Excluded from Frame	18,363	35,463		
Total TACS LDC 23	24,706	528,847		

As indicated on page 3 of the attachment to Proposal Eight, "sample units with less than 10 LDC 23 street hours in the 4 week TACS data base are excluded." Therefore, the sum of the number of routes in the sample frame in PQ3 FY09 (6,343) does not equal the total population (24,706), but represents over 93 percent of the LDC 23 Street hours used during the period from which the frame was constructed. The routes excluded from the frame average 0.08 hours per route day (24 delivery days X 18,363 excluded routes), and an attempt to sample such routes would not be cost effective.

(b) See Table 1.

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7. (Proposal Eight) 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.

RESPONSE:

(a) Confirmed.

(b) Not applicable.

(c) The proposed weighting factor takes into account all available route days per quarter by the inclusion of total hours used in each stratum for the entire quarter. Thus, an added factor, as suggested in the question, is not necessary.

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8. (Proposal Eight) 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.

RESPONSE:

Section E in the attachment to Proposal Eight had been updated to include all variance estimation formulas and to change the notations of the total and tested hours used in the weighting factor formula.

E. Estimation and Variance

The CCCS-SPR produces two types of estimates—volumes and distribution keys (ratios). A description of the estimates is provided in the overview. Volume estimates are computed on a quarterly and annual basis. The annual volume estimates are the sum of the four quarterly estimates. This section provides the formulas used for FY 2009 to calculate the volumes, distribution keys, and the coefficients of variation (CV) associated with those estimates.

Notation:

y	variable of interest
w	weighting factor
h	postal quarter
i	cost pool domain
j	product or rate category domain
k	stratum
l	route-day
T	total hours in the stratum
t	tested hours in the stratum
n	tested route days in the stratum
s	skip utilized on a record (second stage weight)
\hat{Y}	estimate of the total volume
\hat{R}	estimate of the distribution key
Cov	estimate of the covariance
V	estimate of the variance
CV	estimate of the coefficient of variation

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The weight applied to each record consists of two parts. First is the first stage weight, indicated by T_{hk}/t_{hk} , which is the statum's inverse sampling fraction of the street hours, or the reciprocal of the ratio of the sampled SPR street hours to the total SPR street hours. Second is the skip interval, s , which is applied to each record in a test. Dividing by 1000 causes the estimates to be reported in thousands.

The weighting factor is:

$$w_{hk} = \left(\frac{T_{hk} \times s}{t_{hk} \times 1000} \right)$$

Variates are defined as follows:

$$y'_{hijkl} = \begin{cases} y_{hijkl} & \text{if the unit is in the } i^{\text{th}} \text{ and } j^{\text{th}} \text{ domains} \\ 0 & \text{otherwise} \end{cases}$$

$$x'_{hikl} = \begin{cases} x_{hikl} & \text{if the unit is in the } i^{\text{th}} \text{ domain} \\ 0 & \text{otherwise} \end{cases}$$

The quarterly volume estimate for the intersection of the i^{th} and j^{th} domains is

$$\hat{Y}_{hij} = \sum_k w_{hk} \sum_l y'_{hijkl}$$

The quarterly volume estimate for the i^{th} domain is

$$\hat{X}_{hi} = \sum_k w_{hk} \sum_l x'_{hikl}$$

The quarterly distribution key for the intersection of the i^{th} and j^{th} domains is

$$\hat{R}_{hij} = \frac{\hat{Y}_{hij}}{\hat{X}_{hi}}$$

The annual volume for the intersection of the i^{th} and j^{th} domains is

$$\hat{Y}_{ij} = \sum_{h=1}^4 \hat{Y}_{hij}$$

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The annual volume for the i^{th} domain is

$$\hat{X}_i = \sum_{h=1}^4 \hat{X}_{hi}$$

The annual distribution key for the intersection of the i^{th} and j^{th} domains is

$$\hat{R}_{ij} = \frac{\hat{Y}_{ij}}{\hat{X}_i}$$

Variance Estimation

In computing the sampling error on the estimates, Taylor series (first order) approximation is used. An assumption is made that the sampling error within routes is very small relative to the overall sampling error. Therefore, the variance formula used is similar to a single-stage total or ratio estimate, except that it omits the finite population correction (fpc) factor. A relative measure of sampling error, coefficient of variation (c.v.), is estimated for each annual distribution key for the intersection of the i^{th} and j^{th} domain (\hat{R}_{ij}).

The estimated stratum mean by postal quarter for the intersection of the i^{th} and j^{th} domains is

$$\bar{y}'_{hijk} = \frac{\sum_l y'_{hijkl}}{n_{hk}}$$

$$\hat{S}^2_{hijk} = \frac{\sum_l (y'_{hijkl} - \bar{y}'_{hijk})^2}{n_{hk} - 1}$$

The estimated stratum variance for the quarterly volume for the intersection of the i^{th} and j^{th} domains is

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$$V(\hat{Y}_{hijk}) = \frac{w_{hk}^2 \hat{S}_{hijk}^2}{n_{hk}}$$

The estimated variance for the quarterly volume for the intersection of the i^{th} and j^{th} domains is

$$V(\hat{Y}_{hij}) = \sum_k V(\hat{Y}_{hijk})$$

The estimated variance for the annual volume for the intersection of the i^{th} and j^{th} domains is

$$V(\hat{Y}_{ij}) = \sum_h V(\hat{Y}_{hij})$$

The estimated stratum mean by postal quarter for the intersection of the i^{th} domain is

$$\bar{x}'_{hikl} = \frac{\sum_l x'_{hikl}}{n_{hk}}$$

$$S_{hik}^2 = \frac{\sum_l (x'_{hikl} - \bar{x}'_{hik})^2}{n_{hk} - 1}$$

The estimated stratum variance for the quarterly volume for the i^{th} domain is

$$V(\hat{X}_{hik}) = \frac{w_{hk}^2 \hat{S}_{hik}^2}{n_{hk}}$$

The estimated variance for the quarterly volume for the i^{th} domain is

$$V(\hat{X}_{hi}) = \sum_k V(\hat{X}_{hik})$$

The estimated variance for the annual volume for the i^{th} domain is

$$V(\hat{X}_i) = \sum_h V(\hat{X}_{hi})$$

The estimated stratum covariance between the quarterly volumes for the intersection of the i^{th} and j^{th} domains is

$$Cov(\hat{Y}_{hijk}, \hat{X}_{hik}) = w_{hk}^2 \hat{S}_{yjhijk}$$

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where

$$\hat{S}_{y'x'_{hijk}} = \frac{\sum_l (y'_{hijkl} - \bar{y}'_{hijk})(x'_{hikl} - \bar{x}'_{hik})}{n_{hk} - 1}$$

The estimated covariance between the quarterly volumes for the intersection of the i^{th} and j^{th} domains is

$$Cov(\hat{Y}_{hij}, \hat{X}_{hi}) = \sum_k Cov(\hat{Y}_{hijk}, \hat{X}_{hik})$$

The estimated covariance between the annual volumes for the intersection of the i^{th} and j^{th} domains is

$$Cov(\hat{Y}_{ij}, \hat{X}_i) = \sum_h Cov(\hat{Y}_{hij}, \hat{X}_{hi})$$

The estimated relative variance (the square of the coefficient of variation) for the quarterly distribution key for the intersection of the i^{th} and j^{th} domain is

$$(CV)^2(\hat{K}_{hij}) = \left(\frac{V(\hat{Y}_{hij})}{\hat{Y}_{hij}^2} + \frac{V(\hat{X}_{hi})}{\hat{X}_{hi}^2} - \frac{2Cov(\hat{Y}_{hij}, \hat{X}_{hi})}{\hat{X}_{hi}\hat{Y}_{hij}} \right)$$

The relative variance for the annual distribution key for the intersection of the i^{th} and j^{th} domain is

$$(CV)^2(\hat{K}_{ij}) = \left(\frac{V(\hat{Y}_{ij})}{\hat{Y}_{ij}^2} + \frac{V(\hat{X}_i)}{\hat{X}_i^2} - \frac{2Cov(\hat{Y}_{ij}, \hat{X}_i)}{\hat{X}_i\hat{Y}_{ij}} \right)$$

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9. (Proposal Nine) 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.

RESPONSE:

(a) Not confirmed. Rural Carrier Pick-Up Requests is a new evaluation factor that did not exist before the FY 2009 Rural Mail Count. Prior to the FY 2009 RMC, the carrier received no credit for a pick-up request. The carrier did receive credit for any Carrier Pick-Up Items, but they would have received the same credit as any other collected piece. Non-carrier pick-up allowances are four minutes for accepting a parcel, or 2 seconds for collecting a letter, flat, or a parcel less than 2 pounds.

(b) Starting in the FY 2009 RMC, carriers receive a credit of 90 seconds for each Carrier Pick-Up Request and 9 seconds for each Carrier Pick-Up Item. Eligible items include Priority Mail, Express Mail, and International packages. Any non-eligible pieces the carrier collects during the pickup receive the ordinary parcel or letter/flat compensation factors. The rationale for combining the time for the Carrier Pick-Up Request and Carrier Pick-Up Item cost pools is that both are distributed using the new RCCS Carrier Pick-Up distribution key, and thus the attributable cost would be the same regardless of whether the cost pools were separate or combined.

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10. (Proposal Nine) 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.

RESPONSE:

(a) According to the 2009 NRLCA Mail Count Guide, Non-Signature Scan Items include delivery confirmation barcode scans, Shipment Confirmation Acceptance Notices (SCAN) PS Form 5630, and scans for all barcodes associated with Delivery Unit Saturation and Bundle Scanning. Also included are barcode scans for Insurance items not requiring a signature, and any other scan the carrier makes except when a mail piece also requires a signature.

(b) Non-Signature Scan Items is treated as a fixed cost pool, except that the cost for scanning attributable items including delivery confirmation and insurance, is pulled out of fixed cost and treated as attributable. The remaining costs in the Non-Signature Scan items are treated as fixed because the costs do not vary due to small changes in volume. Scanning a mailing manifest, for example, is an activity included in this cost pool but its costs do not increase due to a marginal increase in volume and thus the costs for this and similar activities are treated as fixed.

(c) All items receive an allowance of 18 seconds.

(d) The number of Delivery Confirmation scans is multiplied by the 18 second allowance to get a total time associated with Delivery Confirmation scans. See sheets 10.1.1

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and 10.2.1. The time for the DC scans is then taken out of fixed costs and assigned to Other Ancillary Services on sheets 10.1.2 and 10.2.2.

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11. (Proposal Ten) 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.

RESPONSE:

Please refer to the workbooks named I-Forms DPS SS.xls and CS10 DPS SS.xls, both of which are included in the zip file (ChIR.1.Q.11.Attach.zip) that is attached to this response electronically. The CS10 attributable costs do not match the ones filed with the original Proposal Ten because the original proposal did not account for the new distribution factors on 'Other Routes'. Worksheet 'Proposal10Summary.xls' (also on the attached zip file) shows the discrepancies between the original costs filed with Proposal Ten, and the corrected costs that are filed with CS10 DPS SS.xls which utilize the same distribution factors for DPS and Sector Segment letters for both 'evaluated' and 'other' routes. As shown there, the differences are trivial.

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12. (Proposal Ten) 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.

RESPONSE:

The impacts listed in the last column of the table are correct. The text is incorrect. The relevant sentence in the text should read "First Class Single Piece Letters costs declined by 456 thousand dollars and Standard Regular Letters costs rose by 696 thousand dollars."

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13. (Proposal Ten) Please confirm that EMA costs have been included in "Other Costs." If not confirmed, please explain.

RESPONSE:

Confirmed. Equipment Maintenance Allowance (EMA) costs are included in "Other Costs".

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14. (Proposal Ten) 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.

RESPONSE:

Rural carriers receive Sector Segment credit for DPS letters if their route averages less than 400 DPS letters per *day* (not per week, as suggested by the question) during the Rural Mail Count (RMC). From the 2008 RMC, approximately two percent of the counted routes averaged less than 400 DPS letters per day, and thus any DPS letters on those routes were counted in the Sector Segment compensation category.

Assuming that all of the Sector Segment letters recorded on those routes were actually DPS letters but received Sector Segment credit due to not meeting the volume threshold, approximately one-half of one-percent of the letters recorded as Sector Segment letters were DPS letters. This assumption provides an upper bound on the estimated percentage of DPS letters that were recorded as Sector Segment letters during the 2008 RMC.

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15. (Proposal Ten) 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.

RESPONSE:

(a) DPS and Sector Segment letters often are run through the Delivery Bar Code Sorters (DBCS) simultaneously as part of the same sort plan. As a result, both types of letters arrive at the delivery unit as part of the DPS dispatch and can, in fact, reside in the same letter tray.

(b) There may be some confusion over the use of the word "co-mingled" in the text to Proposal Ten. From the perspective of a data collector who is sampling mail in the "DPS" dispatch, DPS and Sector Segment letters, in the same or different letter trays, can be indistinguishable. An individual with specific knowledge of the rural route, however, can differentiate between the two types of letters. Generally, Sector Segment letters are those pieces being delivered to high rise office buildings, apartments with numerous centralized deliveries, shopping malls, etc., where DBCS equipment is unable to sort the letters in walk sequence order. However, since they are often part of the same sort plans as DPS letters, Sector Segment letters arrive at the delivery unit simultaneously with the "DPS dispatch". A rural carrier may receive four trays of DPS letters, for example, of which a portion of one tray contains Sector Segment letters for a high rise apartment building. Those letters could be in a block in the front, back, or

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middle of the tray, or in a separate tray that arrived with the DPS mail. Regardless of their location, they are not in delivery order sequence which requires the carrier to provide additional distribution to put them in delivery sequence.

(c) .The standard procedure is for DPS and Sector Segment letters to be part of the same dispatch often referred to as the "DPS dispatch. Generally, Sector Segment letters arrive at the delivery unit in one of the following three ways: 1) a block of letters contained within a DPS tray that is otherwise in walk sequence order; 2) a block of letters banded separately at the back or front of a DPS tray; or 3) a separate letter tray. The manner in which they arrive depends on a variety of factors such as the volume and position of deliveries on a route.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Eric P. Koetting

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