

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

Modification of Analytical Principles in
Periodic Reporting
(Proposals Twenty-Two through Twenty-Five)

Docket No. RM2010-4

CHAIRMAN'S INFORMATION REQUEST NO. 1

(November 13, 2009)

To clarify the basis of Proposals Twenty-Three and Twenty-Five, the Postal Service is requested to provide a written response to the following questions. Answers should be provided as soon as practicable, but no later than November 23, 2009.

Proposal Twenty-Three

1. The Postal Service explains that if the proposed methodology had been used in FY 2008, then FY 2008 window service costs for International Money Transfer Services (IMTS) "would have been reduced by 45 percent...resulting in a reduction of the total attributable cost figure reported in the FY 2008 Nonpublic CRA of approximately one-third." Please provide the underlying worksheets to support the 45 percent reduction in window service costs and the approximately one-third reduction in FY 2008 attributable cost.
2. Please refer to Docket No. MC2008-1, Statement of Pranab M. Shah on Behalf of the United States Postal Service. Witness Shah's statement indicates that IMTS includes hardcopy international money orders and international electronic money transfers. However, the proposal does not address the treatment of window service costs for international electronic money transfers. How does the

Postal Service propose to treat window service costs associated with electronic money transfers?

3. Please refer to Docket No. R2006-1, Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service. Witness Bradley's direct testimony indicates that the window service cost volume-variability factor for International Mail as a whole is 78.5 percent. Currently, window service costs for IMTS are grouped with International Mail and services as window non-acceptance costs and, therefore, are assigned a volume-variable factor of 100 percent. Proposal Twenty-Three would group IMTS window service costs with domestic money orders and treat the costs as window acceptance. This would give both domestic and international money orders a variability factor of 64.76 percent. Please provide the rationale for applying the 64.76 percent variability factor for domestic money orders to international money orders, rather than using the variability factor for international mail as a whole.

Proposal Twenty-Five

Modification 1 proposes a method of estimating piece densities for First-Class, Standard, and Periodical flats that differs from the method established in Docket No. R2000-1.

1. Please explain in what ways, other than the ability to provide annually updated piece densities, the proposed method and data sources improve upon the method used in Docket No. R2000-1.

2. Please provide the documentation for the file entitled "MailDirectionv2." The documentation should explain:
 - a. The method and assumptions used to assemble the file, and
 - b. The fields that comprise the file.
3. Please explain how ODIS volumes are associated with each type of mail processing equipment for each unique 3-digit ZIP Code.
4. Please provide spreadsheets showing the development of the volumes used to calculate the coverage factors reported in Prop.25.per.model.xls, Sheet: Coverage factors.

Modification 2 uses Universal Flat Sorting Machine 1000 (UFSM 1000) piece densities obtained from USPS-FY08-14, in Docket No. ACR2008 for manual piece densities. The following questions seek information on the reasonableness of this modification and whether it would be feasible to estimate manual piece densities.

1. Please describe the steps that would need to be taken to perform a reasonably accurate field study estimating manual piece densities.
2. What would be the approximate cost of performing such a study?
3. If such a field study were performed and the ratios of manual to UFSM1000 piece densities could be calculated, how many years could one expect this ratio to remain representative?

4. Please describe the ways in which manually sorting pieces to the various downstream entry points is conceptually similar to that of mail sorted on the UFSM1000.

5. Please identify what sources of information have led to this understanding (in question 4, above), including whether:
 - a. Quantitative studies have been performed that support the assumption that UFSM1000 piece densities are equal to manual piece densities? If so, please provide them.

 - b. The assumption that UFSM1000 piece densities are equal to manual piece densities is based primarily on the subjective opinions of operations experts?
 - i. If so, please provide any written documentation supporting the use of UFSM1000 piece densities for manual piece densities.

 - ii. If no written documentation is available, please provide an explanation from operations experts supporting the use of UFSM1000 piece densities for manual piece densities

By the Chairman.

Ruth Y. Goldway