

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

MODIFICATION OF ANALYTIC PRINCIPLES IN
PERIODIC REPORTING (PROPOSALS TWENTY-
SIX THROUGH TWENTY-EIGHT)

Docket No. RM2010-5

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S
INFORMATION REQUEST NO. 1
(December 10, 2009)

The Postal Service hereby files its responses to all three questions of Chairman's Information Request No. 1, issued on December 4, 2009. (For ease of reference, the question relating to Proposal Twenty-eight has been designated as Question 3.) Each question is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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December 10, 2009

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
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1. Proposal Twenty-Seven seeks to replace Carrier Sequence Bar Code Sorting (CSBCS, or 3-pass DPS) productivities formerly generated by MODS with adjusted machine throughputs. The background provided in the petition states that the MODS productivity is "no longer available due to discontinuation of the relevant MODS operations." Please explain when and why the relevant MODS operation numbers were terminated. Please also identify and explain all other MODS operation numbers (and the corresponding operations) that were terminated.

RESPONSE:

The relevant operation number, MODS operation 911 ("CSBCS – DPS"), was reassigned on July 31, 2009. This reflects the cessation of CSBCS operations for DPS at Function 1 facilities. Operation number 911 was used for CSBCS DPS operations at three plants during FY 2009, with the last use recorded during the week of July 4, 2009. Note that operation 911 workhours declined from 6,031.1 in FY 2007 to 721.5 in FY 2008 and 31 in FY 2009; the latter years' data are insufficient to reliably measure productivity for the Function 4 DPS operations using CSBCS equipment.

MODS sorting operation numbers are subject to discontinuation when the related equipment is no longer in use. Additionally, MODS operation numbers may be discontinued in the course of the addition of detail deemed valuable by Postal Service operating units or the elimination of detail that is not required for operational management. Because of the length of time the MODS system has been in operation, the Postal Service is not aware of a comprehensive list of discontinued operation numbers. The following table lists 3-digit MODS operation numbers defined in FY 2008 and no longer in use in FY 2009.

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| Operation | Name |
|------------------|---|
| 029 | RIFFLE LETTER MAIL |
| 045 | MANUAL LTR-BULK BUSINESS |
| 048 | ISS - RETURN TO SENDER |
| 069 | RIFFLE FLAT MAIL |
| 075 | MANUAL FLT-BULK BUSINESS |
| 253 | CSBCS - INCOMING PRIMARY |
| 301 | MLOCR-ISS INTL EXPORT |
| 304 | MLOCR INTL IMPORT |
| 372 | DBCS/DIOSS OSS O/G SECONDARY |
| 374 | DBCS/DIOSS OSS I/C SCF PRIMARY |
| 392 | DBCS/DIOSS ISS O/G SECONDARY |
| 396 | DBCS/DIOSS ISS I/C SECONDARY |
| 412 | UFSM 1000 OCR - O/G SECONDARY |
| 438 | SPBSBCR PRIORITY OUTGOING |
| 439 | SPBSBCR PRIORITY INCOMING |
| 456 | AREA/DISTRICT PROJECTS- SUPERVISION |
| 473 | HEADQUARTERS PROJECTS-SUPV |
| 475 | HEADQUARTERS PROJECTS-SUPV |
| 480 | HEADQUARTERS PROJECTS-SUPV |
| 518 | HEADQUARTERS PROJECTS NON-SUPV |
| 519 | HEADQUARTERS PROJECTS NON-SUPV |
| 525 | RURAL CARRIERS |
| 528 | RURAL CARRIERS |
| 583 | EXPRESS MAIL- CUSTOMER SERVICE |
| 584 | MAILGRAM |
| 603 | MAILER VALIDATION - CREDITS FHP/TPH |
| 604 | MAILER VALIDATION - NO VOLUME CREDIT |
| 635 | MEETING TIME - FIN & PLAN - SUPERV |
| 669 | EXPRESS MAIL DISTRIB |
| 696 | ADMIN & CLER - RETAIL MARKETING |
| 711 | ROUTERS |
| 806 | UFSM1000 - INCOMING SECONDARY |
| 851 | MPBCS CHUNKY MOD - O/G PRIMARY |
| 856 | MPBCS CHUNKY MOD - I/C SECONDARY |
| 887 | MLOCR-ISS - BOX SECTION |
| 907 | CS BCS EQUIPMENT SERVICING |

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2. The description of Proposal Twenty-Seven indicates that the new CSBCS productivity would be developed using machine utilization reports with the machine runtime adjusted to account for other activities including setup, handling empty equipment, paid breaks, and clocking in or out.
 - a. The factor 0.6871 is used to adjust the throughput rate for FY 2009. Please provide the calculation of the factor, and identify the source of and reason for including each input used in it.
 - b. Please confirm that the hours used to calculate the throughput rate and adjustment factor are labor hours. If not confirmed, please explain the use of machine hours instead of labor hours.
 - c. Please explain the rationale for including "overhead-type activities" in the productivity of the CSBCS operation. For example, provide whether the break time included in the adjustment factor is accrued by employees who work exclusively in the CSBCS operation.
 - d. Please confirm that the other MODS productivities used in the letter cost models (e.g., Outgoing BCS Primary) do not include time spent in setup, handling empty equipment, paid breaks, or clocking in or out activities. If not confirmed, please explain.

RESPONSE:

- a. The calculation of the factor is provided below. The calculation employs IOCS data to estimate the ratio of work time in CSBCS operations where the machine is running to total work time associated with CSBCS operations.

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| Row | Description | Value | Source |
|-----|--|--------|---|
| 1 | CSBCS tallies, machine running - LD41 pool | 6,112 | FY09 IOCS tally file, weighted tallies in LD41 cost pool with Q18C02="B" and Q18C08="Y" |
| 2 | CSBCS tallies, machine running - Non-MODS | 42,836 | FY09 IOCS tally file, weighted tallies in non-MODS Auto/Mec cost pool with Q18C02="B" and Q18C08="Y" |
| 3 | CSBCS tallies, total excluding overhead - LD41 | 8,787 | FY09 IOCS tally file, weighted tallies in LD41 cost pool with Q18C02="B" excl. a/c 6521-6522 |
| 4 | CSBCS tallies, total excluding overhead - Non-MODS | 55,006 | FY09 IOCS tally file, weighted tallies in non-MODS Auto/Mec cost pool with Q18C02="B" excl. a/c 6521-6522 |
| 5 | Total tallies, LD41 pool | 24,535 | FY09 IOCS tally file, weighted tallies in LD41 cost pool |
| 6 | Break/clocking tallies, LD41 pool | 2,636 | FY09 IOCS tally file, weighted tallies in LD41 cost pool, a/c 6521-6522 |
| 7 | LD41 pool overhead factor | 1.1204 | = $[5]/([5]-[6])$ |
| 8 | Non-MODS ovh6521 factor | 1.1007 | FY09 SAS module DOLWGTM |
| 9 | Non-MODS ovh6522 factor | 1.0140 | FY09 SAS module DOLWGTM |
| 10 | Non-MODS overhead factor | 1.1161 | = $[8]*[9]$ |
| 11 | Ratio of CSBCS Total Time to Runtime, LD41 pool | 1.6108 | = $[7]*[3]/[1]$ |
| 12 | Ratio of CSBCS Total Time to Runtime, Non-MODS | 1.4333 | = $[10]*[4]/[2]$ |
| 13 | Weighted Average Ratio | 1.4554 | Weighted average of 11 and 12 using [1] and [2] for weights |
| 14 | Productivity adjustment factor | 0.6871 | = $1/[13]$ |

b. Not confirmed. The hours in the throughput are machine hours. However, since CSBCS equipment is operated by a single clerk, the machine hours are equivalent to the work hours while the machine is running.

c. Activities associated with CSBCS operations other than machine runtime, including "overhead" activities, are included in the calculation to adjust the machine hours to the equivalent of MODS workhours. MODS workhours include any activities performed while the employee is clocked into the operation number, generally encompassing both "productive" time, such as machine runtime and time spent setting up and taking down equipment, plus

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various "overhead" activities. See also Docket No. R2006-1, USPS-T-12 at 26-32.

Break time (and clocking in or out time) is assigned consistent with the development of the non-MODS mail processing cost pools. The break time allocation for non-MODS CSBCS activities uses the 'ovh6521' and 'ovh6522' factors from the DOLWGTM SAS module. For CSBCS operation in the LD41 cost pool, an equivalent break and clocking in or out factor is calculated.

- d. Not confirmed. Please see the response to part (c).

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3. The regression analysis establishing the relationship between cube and weight, most recently filed in USPS-FY08-17, serves as an input to Proposal Fourteen: Parcel Select and Parcel Return Service (PRS) Parcel Post Mail Processing and Transportation Cost Models. Proposal Fourteen was approved by the Commission on November 13, 2009. See Docket No. RM2009-10, USPS-RM2009-10/NP2, PARCEL POST PS-PRS TRANS.xlsx, tab: Regression Inputs. Please confirm this regression analysis remains necessary as an input for the model provided in Proposal Fourteen. If confirmed, please revise Proposal Twenty-Eight to ensure this analysis will be filed in the future. If not confirmed, please explain why the regression analysis is no longer needed, and the impact its removal has on the model presented in Proposal Fourteen.

RESPONSE:

This question appears to be premised on a possible misunderstanding of the relationship (or, more accurately, the lack of a relationship) between Proposals Fourteen and Twenty-eight. Contrary to what the question posits, the “regression analysis establishing the relationship between cube and weight, most recently filed in USPS-FY08-17” does not serve “as an input to Proposal Fourteen: Parcel Select and Parcel Return Service (PRS) Parcel Post Mail Processing and Transportation Cost Models.” That is because what was filed last year in USPS-FY08-17 related exclusively to two former categories within *Single Piece* Parcel Post. What is necessary as input to the Proposal Fourteen models will be the commensurate regression analysis for the *competitive* Parcel Post products (which was not filed as part of last year’s ACR). The question correctly indicates that the competitive Parcel Post regression analysis therefore continues to be relevant, and, in accordance with Proposal Fourteen, that material will be filed with the FY 2009 ACR. Proposal Twenty-eight was never intended to suggest otherwise. Proposal Twenty-eight merely encompasses the Single Piece Parcel Post regression analysis, which is what was filed as USPS-FY08-17, and which will no longer be filed.

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.

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