

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

PERIODIC REPORTING

Docket No. RM2010-8

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING  
INITIATION OF A PROCEEDING TO CONSIDER A PROPOSED CHANGE  
IN ANALYTIC PRINCIPLES (Proposal One)  
(February 9, 2010)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider a proposal to change analytic principles relating to the Postal Service's periodic reports. The proposal, labeled as Proposal One, is discussed below, and in greater detail in the attached text. (Prior to filing the FY09 ACR, the Postal Service had a series of proposals numbered, for ease of reference, Proposals One through Thirty. With this petition, the Postal Service is restarting the numbering of proposals, and contemplates using this numbering sequence until the FY10 ACR is filed.)

Proposal One seeks authorization for immediate elimination of the rail portion of TRACS sampling, and proposes instead to distribute rail costs using the Inter-BMC highway distribution factors. The basis for this proposal is a shift in current transportation focus in some instances from rail to trucks, and a resulting reduction in expected rail expenses for this year (FY10) on the order of roughly 75 percent (relative to FY09). As the attachment shows, if applied to FY09 figures, the impact of such a change in distribution keys would have been immaterial. While the ultimate effects of

this proposal would not show up in CRA product costs until the FY10 CRA is prepared, the Postal Service hopes to be able to begin more efficient use of its data collection resources in FY10 Quarter Three with immediate implementation of this proposal.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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February 9, 2010

**Proposal One**

**PROPOSED CHANGE FOR RAIL SAMPLING IN THE TRANSPORTATION COST SYSTEM (TRACS)**

**OBJECTIVE:**

To eliminate immediately TRACS Rail sampling, and to use the TRACS Inter-BMC distribution key in place of the Rail distribution key for the Freight Rail and Rail Plant Load cost pools in cost segment 14 (Purchased Transportation).

**BACKGROUND:**

In order to reduce costs, increase efficiency, and still meet service commitments, the Postal Service has been realigning its transportation and distribution system. Mail historically transported by rail is now being trucked. One main driver of this shift in transportation costs away from freight rail is the implementation of the Network Distribution Centers (NDCs) which began late in FY09 and is ongoing in FY10.

**PROPOSAL:**

The Postal Service is proposing the immediate elimination of TRACS Rail sampling, and the use of the TRACS Inter-BMC distribution key in place of the Rail distribution key in cost segment 14. The Freight Rail distribution key is currently used for the Freight Rail and Rail Plant Load costs pools in cost segment 14.

**RATIONALE:**

Table 1 shows the continued decline of freight rail costs in cost segment 14. The TRACS Rail distribution key is directly applied to these freight rail costs. Quarter 1 of FY2010 is negative because the fines and penalties were greater than the transport costs.

**Table 1: CS14 Freight Rail and Rail Plant Load Volume Variable Costs**

<b>Quarter</b>	<b>\$'s (000s)</b>
<b>PQ109</b>	\$20,776
<b>PQ209</b>	\$16,055
<b>PQ309</b>	\$13,032
<b>PQ409</b>	\$6,175
<b>FY09</b>	\$56,037
<b>PQ110</b>	(593)
<b>FY10 (EST)</b>	Less than \$15,000

**IMPACT:**

Table 2 summarizes 'Modified CS14' and 'Original CS14' by showing the effect of substituting the Inter-BMC keys for the Rail keys on the total FY2009 CS 14 costs by product.

Table 2  
FY2009 C/S 14 TRANSPORTATION \$'s (000s)

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	CRA CLASS	Modified CS14 <sup>1</sup>	Original CS14 <sup>2</sup>	% Change
1	MARKET DOMINANT PRODUCTS				
2	FIRST-CLASS MAIL:				
3	SINGLE PIECE LETTERS	3	307,839	306,075	0.6%
4	SINGLE PIECE CARDS	4	6,083	6,055	0.5%
5	PRESORT LETTERS	8	488,550	486,383	0.4%
6	PRESORT CARDS	9	14,102	14,056	0.3%
7	SINGLE PIECE FLATS	16	198,750	197,961	0.4%
8	PRESORT FLATS	17	64,391	64,159	0.4%
9	SINGLE PIECE PARCELS	19	155,612	154,991	0.4%
10	PRESORT PARCELS	20	5,363	5,373	-0.2%
11	<b>TOTAL FIRST CLASS</b>		1,240,691	1,235,054	0.5%
12	STANDARD MAIL				
13	HIGH DENSITY AND SATURATION LETTERS	21	3,550	3,499	1.5%
14	HIGH DENSITY AND SATURATION FLATS & PARCELS	22	14,080	14,078	0.0%
15	CARRIER ROUTE	23	56,438	56,765	-0.6%
16	LETTERS	25	167,065	168,613	-0.9%
17	FLATS	26	187,388	189,012	-0.9%
18	NOT FLAT-MACHINABLE AND PARCELS	27	67,009	67,751	-1.1%
19	<b>TOTAL STANDARD MAIL</b>		495,530	499,718	-0.8%
20	PERIODICALS				
21	IN COUNTY	31	136	136	0.0%
22	OUTSIDE COUNTY	32	225,035	226,136	-0.5%
23	<b>TOTAL PERIODICALS</b>		225,172	226,272	-0.5%
24	PACKAGE SERVICES				
25	SINGLE PIECE PARCEL POST	41	389,936	393,216	-0.8%
26	BOUND PRINTED MATTER FLATS	42	14,973	15,147	-1.1%
27	BOUND PRINTED MATTER PARCELS	43	44,641	44,512	0.3%
28	MEDIA AND LIBRARY MAIL	44	124,401	123,815	0.5%
29	<b>TOTAL PACKAGE SERVICES</b>		573,952	576,689	-0.5%
30	<b>USPS MAIL</b>	125	42,150	41,767	0.9%
31	<b>FREE MAIL -BLIND HANDICAPPED &amp; SERVICEMEN</b>	130	7,841	7,763	1.0%
32	<b>TOTAL DOMESTIC MARKET DOMINANT MAIL</b>		2,585,335	2,587,262	-0.1%
39	<b>INTERNATIONAL MAIL</b>	185	1,050,703	1,051,487	-0.1%
40	<b>TOTAL DOMESTIC COMPETITIVE MAIL</b>		1,713,838	1,711,127	0.2%
41	<b>TOTAL VOLUME VARIABLE</b>		5,349,876	5,349,876	0.0%

<sup>1</sup>Source: The costs are derived by replacing the current Freight Rail distribution factors in the Freight Rail and Rail Plant Load cost pools with the Inter-BMC distribution factors

<sup>2</sup>Source: USPS-FY09-32 workbook CS14, Tab Outputs to CRA

Table 2 shows the aggregate change for Domestic Competitive Mail is 0.2 percent, but note that, even disaggregating that change down to the product level, each change is still 0.8 percent or less, so the effect is quite evenly *de minimis*. Overall, moreover, the actual cost impact for FY2010 is expected to be much less because of the continued reduction in Freight Rail costs (as shown previously in Table 1). At this time, the Postal Service is expected to spend less than \$15 million on Freight Rail transportation (FY10). (\$15 million was less than 0.04 percent of total volume variable costs in FY09, and was less than 0.3 percent of Purchased Transportation costs distributed to the products.) As shown in Table 2, eliminating TRACS Rail sampling and substituting the TRACS Inter-BMC distribution key will not have a material impact on any product, and will allow the Postal Service to make more efficient use of its resources.

## 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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