

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

NOTICE OF PRICE ADJUSTMENT

Docket No. R2010-3

UNITED STATES POSTAL SERVICE
NOTICE OF MARKET-DOMINANT PRICE ADJUSTMENT
(February 26, 2010)

The Postal Service hereby provides notice, pursuant to 39 U.S.C § 3622 and 39 C.F.R. 3010, that the Governors have authorized the Postal Service to adjust the prices for its market-dominant products, Standard Mail letters and flats. The Postal Service intends to implement another Standard Mail Volume Incentive Pricing Program (“Summer Sale 2010”) similar to the Summer Sale previously introduced by the Postal Service in May 2009. The Summer Sale 2010 will give eligible companies a 30 percent postage rebate on qualifying Standard Mail above a predetermined threshold. This adjustment will take effect on July 1, 2010 at 12:01 AM and expire on September 30, 2010 at 11:59 PM.

The Postal Service has organized this notice into three sections, which will address additional information required by Rule 3010.14.¹ In Part I, the Postal Service describes the program in detail, including the qualification criteria, measurement methodology and rebate calculation. In Part II, the Postal Service addresses its

¹ Postal Service has not included a schedule of new prices or proposed Mail Classification Schedule as this new Notice is covered by the current Mail Classification Schedule.

compliance with the price cap. Lastly, in Part III, the Postal Service discusses how its prices are consistent with the objectives and factors set out in section 3622, and the preferential pricing requirements of section 3626.

As required by Rule 3010.14(a)(3), the Postal Service certifies that it will advise its customers of these price adjustments more than 45 days before the planned implementation date. Outside of this Notice, the Postal Service will issue a Press Release announcing the changes along with posting the same on USPS.com and the Postal Explorer website. The Postal Service also will publish notice of these price changes in future issues of the *MailPro*, *Postal Bulletin* and *Federal Register*.

Greg Dawson will serve as the Postal Service official responsible for responding to any Commission inquiries pursuant to Rule 3010.14(a)(4). Mr. Dawson's contact information is as follows:

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I. PROGRAM DESCRIPTION

Like its predecessor, the objective of Summer Sale 2010 is to increase incremental Standard Mail volume and revenue, which is estimated to generate between 311 million and 1.1 billion new pieces. The Postal Service understands that the current economy has led to a decline in the use of Standard Mail for marketing products and services. The Sale is designed, through the use of incentives, to encourage Postal customers to mail more pieces than they would have without a Sale, particularly since the economy is still rebounding out of the recession.

Summer Sale 2010 is designed to increase mail volume during a typically low-volume period. It will send a signal to the mailing community that the Postal Service is willing to take responsible measures to promote the health of their businesses and aggressively compete for their advertising and promotion dollars in this highly competitive market place. Further, this program has the ability to be beneficial to both the customer and the Postal Service. Customers have the opportunity to foster relationships with its existing patrons and acquire new patrons with limited additional investment. As Postal customers attain more patrons, both companies' businesses will grow. The Postal Service can take advantage of its current excess capacity to deliver additional volume at a relatively low cost during the summer months. The Postal Service also can continue to improve postal data systems in addition to fine tune future offerings and enhance existing relationships with customers.

A. Eligibility

To be eligible for participation in Summer Sale 2010, qualifying mailers must have mailed 350,000 or more Standard Mail letters and flats between July 1 and September 30, 2009, through one or more permit imprint advance deposit account(s) owned by the company or through permits set up on behalf of the company by a Mail Service Provider (MSP). Approximately 3,525 customers will be eligible to participate in the sale, representing 67 percent of Standard volume. Mailers applying for participation in Summer Sale 2010 through a permit administered by a MSP must provide adequate documentation specifying that the applicant is the owner of the mail. MSPs are not eligible for the program. Mailers participating in Summer Sale 2010 also are not eligible

to participate in any other concurrent postal incentive programs which will allow them to obtain multiple discounts.

B. Threshold

Summer Sale 2010 will run from July 1, 2010 through September 30, 2010, and will provide a 30 percent rebate to eligible mailers on Standard Mail letters and flats volume above a predetermined threshold agreed upon by both the mailer and the Postal Service. The threshold is the amount of Standard Mail for each participating company sent through their Permit(s) or Ghost Permit(s) (or through their Mail Service Provider) from July 1 to September 30, 2009 (SPLY) plus five percent (SPLY +5%). This threshold was selected because the Postal Service forecasts less than one percent volume growth for July 1 through September 30, 2010 (Q2FY1010) in Standard Mail letter and flat volume overall.² Therefore, a participant must grow significantly more than average in order to receive any rebate at all.

In order to ensure that increased volume is not merely a result of a mailer shifting June volume to July or October volume to September, with a goal of boosting incentive payouts, an additional volume threshold will be established for the months of June 2010 and October 2010 using the same SPLY+5% formula. If June 2010 or October 2010 actual volumes do not meet the respective month's threshold (SPLY+5%), the difference will be deducted from their Summer Sale 2010 qualifying volume.

² See Market Dominant Demand Analysis Materials in Response to Rule 3050.26, filed January 20, 2010

C. Program Administration

The Postal Service will mail a letter to all eligible Standard Mail customers explaining the Summer Sale 2010 program and instructing the customer to visit a Postal Service web site to indicate their desire to participate. Upon application, the mailer will work through an enrollment process to verify threshold volumes. Customers disagreeing with their threshold volume number can work with a Business Customer Intelligence (BCI) employee to reconcile their data with data from internal postal data systems, PostalOne! and CBCIS. Postal Service Headquarters will resolve any disputes between the customer and the BCI employee. Mailers wishing to participate in the program, who were not notified by letter, may request a review of their eligibility by contacting the USPS at summersale@usps.gov. Once agreement about the mailer's threshold volume is reached, the participant will sign a Certification Letter and will be fully enrolled.

The Postal Service will use the certified volume threshold to calculate the rebate due the customer at the end of Summer Sale 2010, using volume and revenue data from PostalOne! and CBCIS. The Summer Sale 2010 rebate (after the June and October adjustments, if necessary) will be added back into the company's Trust Account. As part of the program administration, the Postal Service will require each mailer to certify the data used to calculate the volume thresholds and the rebate payments. The Postal Service will use a certification similar to that required by the PS Form 3600 Postage Statement to ensure that it has accurately calculated the applicable volume trends, thresholds, and rebates for each qualifying mailer.

D. Financial Impact

The Postal Service expects the sale to generate between 311 million and 1.1 billion incremental Standard Mail pieces. This estimate is based on participation rates and eligible volumes from the 2009 sale, discussions with mailers, and historical analysis of the distribution of mailer growth rates. The Postal Service believes that potential volume increases will be maximized throughout the sale period because most of the current eligible customers were also eligible for the previous Summer Sale and are now familiar with the concept and registration process. Based on feedback from the previous Summer Sale participants, the Postal Service will also provide earlier notice of Summer Sale 2010 to allow participants to take greater advantage of the incentive by planning in advance expanded mailings during the sale period.

Summer Sale 2010 is expected to provide an incremental revenue increase of about \$34 to \$157 million from this new volume. The amount of revenue has been reduced to account for customers whose mail volume would increase even without the Summer Sale in 2010. These loyal customers still will benefit from Summer Sale 2010 through a postage discount on volume above their certified threshold. The Postal Service does not expect a significant buy down from First-Class Mail based on the previous Summer Sale.

Similar to the Summer Sale in 2009, the Postal Service believes that there is currently some excess capacity to process and deliver additional volume at lower costs than usual.³ The volume decline experienced in the last two years due to the economic downturn has resulted in excess capacity in some functions, despite efforts to reduce

³ See Appendix A for a more detailed explanation of the Postal Service's assessment of excess capacity and attributable costs.

costs. Thus, additional volume, in the short run, will incur reduced additional attributable costs, because the Postal Service will be employing unused or underused capacity to handle increases in volume. This means that the short-run attributable cost for additional volume gains in the summer of 2010 may be below our standard estimate of long-run attributable cost. Unlike the previous Summer Sale, the Postal Service presumes that some additional carrier cost may be incurred to deliver the incremental volumes. However, the Postal Service does not expect costs related to buildings, new equipment, and vehicles to increase in the short run due to the anticipated additional volume from the Sale.

Although the Summer Sale does include some product categories which did not make a positive contribution in FY 2009, namely Standard Flats and Non-Profit products, this initiative must be evaluated as a whole rather than in terms of its constituent parts.⁴ Excluding Standard flats from Summer Sale would fundamentally change the dynamics of the Sale for a large portion of catalog mailers. The Postal Service finds that these mailers view Standard and Carrier Route Flats as essentially the same product and provide approximately 40% of their volume in Standard Flats (the other 60% of their volume is in Carrier Route flats). To the extent that Standard Mail Flats are the residual pieces that remain after these customers have qualified all possible Carrier Route volume, excluding them from the Sale would reduce the benefit of the incentive to the customer and potentially result in unintended consequences.

Additionally, based on the competitive market forces of Standard Mail Flats, there are strategic long-term benefits to preserving this volume and including flats in Summer

⁴ See Appendix A.

Sale 2010. Specifically, catalogs make up most of Standard Flats, and mailers believe that this product generally creates a positive experience with consumers and increases the value of mail and the mailbox. Many catalog mailers represent that catalog volume has been steadily decreasing in recent years due to postage cost pressures and an increase in viable electronic alternatives. The catalog industry has steadfastly held that postage cost relief will result in more catalogs being mailed. Recent experience supports this conclusion, since several catalog mailers displayed large incremental growth above their baseline during the previous Summer Sale.

Mailers also emphasize that “prospects” are converted to new customers when more catalogs are in the mail, which in turn creates more downstream use of mail between the cataloger and their customers (i.e., more catalogs, Customer Relationship Management communication, bills, statements, payments, package fulfillment and package returns). Maintaining and growing this volume also will promote efficient operations with implementation of new technology (i.e., the Flats Sequencing System).

The expected net effect of the program is a net contribution change of -\$3.5 million to +\$25.4 million. Expected administrative costs for Summer Sale are:

Program support—USPS personnel	\$500,000
Contractor analytical support	\$300,000
Registration website creation	\$30,000
Production of customer print communications	<u>\$100,000</u>
Total	\$930,000

E. Risks

While the financial analysis summarized above is the best estimate of the probable range of impacts the Sale will have on Postal Service finances, there are inherent risks that may affect the financial outcome of the program. In particular, an

overestimate of the additional volume generated by the incentive, or an underestimate of the administrative effort required, could unfavorably affect expected financial performance. There is a risk that a large proportion of the rebates would be paid on volumes that customers would have mailed regardless of the Sale.

Some small businesses also may voice a concern that the 350,000 piece threshold bars them from participation in Summer Sale 2010 and unfairly discriminates against them.⁵ This threshold is lower than last year's, and, as a result, approximately 400 more customers will be eligible to participate. As discussed in the previous Summer Sale filing, the additional administrative cost to adding a larger number of participants would be prohibitive and outweigh any benefit to having more participants. The Postal Service has expanded the number of eligible participants to include more mailers, but the additional costs involved in increased labor costs or development of a technology solution to administer the program prohibits it from accepting every mailer that sends Standard Mail. Also, the wide variability of small businesses mail volume performance makes it financially infeasible to include all of them in the Sale. A significant number of small businesses show consistent growth in their mail volume year after year. Providing small businesses access to this particular incentive would likely result in a loss to the Postal Service because rebates provided on mail that would be sent anyway would exceed the benefit of additional growth caused by the incentive.

⁵ See Reply Comments of Now You Know Media, Inc., Docket No. ACR2009, February 19, 2010.

II. PRICE CAP COMPLIANCE

Due to the temporary nature of the incentive program and the uncertainty surrounding the amount of new volume which will be generated, the Postal Service proposes to treat the program, for the purposes of price-cap compliance, in a manner mathematically analogous to the procedure described in Rule 3010.24 as is consistent with the previous Summer Sale. Essentially, the Postal Service intends to ignore the effect of the price decrease resulting from the program on the price cap for both future and current prices. As a result, the Postal Service has made no calculation of cap or price changes described in Rule 3010.14(b)(1) through (4).⁶

III. OBJECTIVES AND FACTORS, WORKSHARE DISCOUNTS, AND PREFERRED RATES

In compliance with Rules 3010.14(b)(5) through (8), the Postal Service in this section discusses how the planned program “help[s] achieve” the objectives of section 3622(b) and “properly take[s] into account” the factors of section 3622(c); how the program impacts workshare discounts, and how its planned prices are consistent with section 3626.

A. Objectives and Factors

The objectives of section 3622(b) are as follows:

- (b) Objectives.—Such system shall be designed to achieve the following objectives, each of which shall be applied in conjunction with the others:
 - (1) To maximize incentives to reduce costs and increase efficiency.

⁶ See Order Approving Standard Mail Volume Incentive Pricing Program, Docket No. R2009-3, June 4, 2009 pp 9-10.

- (2) To create predictability and stability in rates.
- (3) To maintain high quality service standards established under section 3691.
- (4) To allow the Postal Service pricing flexibility.
- (5) To assure adequate revenues, including retained earnings, to maintain financial stability.
- (6) To reduce the administrative burden and increase the transparency of the ratemaking process.
- (7) To enhance mail security and deter terrorism.
- (8) To establish and maintain a just and reasonable schedule for rates and classifications, however the objective under this paragraph shall not be construed to prohibit the Postal Service from making changes of unequal magnitude within, between, or among classes of mail.
- (9) To allocate the total institutional costs of the Postal Service appropriately between market-dominant and competitive products.

Significantly, the establishment of this program does not substantially alter the degree to which Standard Mail prices already address these objectives, or they are addressed by the design of the system itself (Objectives 1, 2, 3, 6, 7, 8, and 9). Summer Sale 2010 is a prime example of the increased flexibility allowed the Postal Service under PAEA (Objective 4), and the fact that the program will provide an incentive for additional volume will enhance the financial position of the Postal Service (Objective 5).

Section 3622(c) also enumerates fourteen factors, or considerations, that must be taken into account in addition to the objectives specified and discussed above. The additional Factors are as follows:

(c) Factors.—In establishing or revising such system, the Postal Regulatory Commission shall take into account—

- (1) the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery;
- (2) the requirement that each class of mail or type of mail service bear the direct and indirect postal costs attributable to each class or type of mail service through reliably identified causal relationships plus that portion of all other costs of the Postal Service reasonably assignable to such class or type;
- (3) the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters;
- (4) the available alternative means of sending and receiving letters and other mail matter at reasonable costs;
- (5) the degree of preparation of mail for delivery into the postal system performed by the mailer and its effect upon reducing costs to the Postal Service;

- (6) simplicity of structure for the entire schedule and simple, identifiable relationships between the rates or fees charged the various classes of mail for postal services;
- (7) the importance of pricing flexibility to encourage increased mail volume and operational efficiency;
- (8) the relative value to the people of the kinds of mail matter entered into the postal system and the desirability and justification for special classifications and services of mail;
- (9) the importance of providing classifications with extremely high degrees of reliability and speed of delivery and of providing those that do not require high degrees of reliability and speed of delivery;
- (10) the desirability of special classifications for both postal users and the Postal Service in accordance with the policies of this title, including agreements between the Postal Service and postal users, when available on public and reasonable terms to similarly situated mailers, that—
 - (A) either—
 - (i) improve the net financial position of the Postal Service through reducing Postal Service costs or increasing the overall contribution to the institutional costs of the Postal Service; or
 - (ii) enhance the performance of mail preparation, processing, transportation, or other functions; and
 - (B) do not cause unreasonable harm to the marketplace.

- (11) the educational, cultural, scientific, and informational value to the recipient of mail matter;
- (12) the need for the Postal Service to increase its efficiency and reduce its costs, including infrastructure costs, to help maintain high quality, affordable postal services;
- (13) the value to the Postal Service and postal users of promoting intelligent mail and of secure, sender-identified mail; and
- (14) the policies of this title as well as such other factors as the Commission determines appropriate.

Similar to the Objectives of section 3622(b), the establishment of this program does not substantially alter the degree to which Standard Mail prices address many of the Factors of section 3622(c) (Factors 1, 4, 5, 6, 8, 9, 10, 11, 12, 13, and 14). The program encourages increased mail volume (Factor 7) by providing business mailers an incentive to increase their Direct Mail advertising (Factor 3). Additionally, the program will not imperil the ability of Standard Mail to cover its attributable costs as a whole even though the discounts provided are substantial (Factor 2).

B. Workshare discounts

Workshare discounts for Standard Mail were reviewed by the Commission in Docket No. R2009-1. To the extent that the program affects these discounts, it will shrink them. Thus, any workshare passthrough of 100 percent or less will remain in compliance with the applicable statute, and any passthrough that is greater than 100 percent will become closer to compliance under this program.

C. Preferred rates

Standard Mail letters and flats entered at Nonprofit prices will be eligible for the same 30 percent discount as mail entered at commercial prices. Because the prices will change proportionally, the 60 percent ratio between the prices will stay the same.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Development of Short-Run Attributable Costs for Summer Sale 2010

In the summer and fall of 2009, the Postal Service had substantial excess capacity to process and deliver mail. As a result, additional volume could be processed through the network at a lower-than-usual additional attributable cost. The Postal Service could employ unused or underused capacity to handle increases in volume producing low short-run attributable or marginal costs.

The Postal Service anticipates that it will have excess capacity again in the summer of 2010. Essentially, the Postal Service's short-run attributable costs for additional volume gains in the summer of 2010 are expected to be below its standard estimate of long-run attributable cost. Unlike the 2009 Summer Sale, the Postal Service does not assume that there will be excess capacity in the area of delivery. It recognizes that additional city and rural carrier cost may be incurred to deliver additional volumes. Excess capacity will exist for buildings, new equipment, and vehicles and summer 2010 attributable costs reflect that these costs are not likely to increase in the short run due to the anticipated additional volume from a Summer Sale.

The Postal Service's response to Questions 3 and 4 of Chairman's Information Request No. 1, Docket No. R2009-3, (May 15, 2009) demonstrated that seasonal and cyclical volume declines were expected to lead to significant excess capacity in the Summer Sale 2009 period. Tables 1-4 of the response to Question 3 showed that for Fiscal Years 2006-2008, labor and other resources did not adjust fully with the seasonal fluctuations. This led to excess capacity in the fourth quarter of the fiscal year (the months of July to September), which is the season with the lowest volume. Tables 5-7 showed that the large and rapid cyclical volume declines between Oct 2008 and March

2009 led to excess capacity for city and rural carriers, since work hour reductions couldn't match the volume declines.

This cyclical decline in volume has continued and is demonstrated by the twelve percent volume decline that took place in July through September 2009 relative to July through September 2008. In addition, volumes for Market Dominant products are forecasted to decline approximately 3 percent for July through September 2010 relative to July through September 2009.¹ This indicates that the cyclical volume declines, while moderating, will still be occurring through the fourth quarter of FY2010. Given the seasonal and cyclical volume decline expected for July through September 2010, the Postal Service expects the following:

1. The Postal Service will have excess capacity in buildings, equipment, and vehicles in the summer of 2010. The excess capacity will be sufficiently large enough that an increase in volume created by the Standard Mail Volume Incentive Program will not cause additional costs to be incurred in these areas.
2. The postmaster network will have significant excess capacity and the additional volume created by Standard Mail Volume Incentive Program will not cause any additional postmaster costs.

As mentioned above, the Postal Service does not assume that there will be excess capacity in the city carrier and rural carrier delivery networks. The moderation of the volume decline has allowed the reconfiguration of those networks to more closely conform to the volume decline.

¹ See, Market Dominant Demand Analysis Materials in Response to Rule 3050.26, filed January 20, 2010).

The remaining aspects of excess capacity can be embodied in a costing analysis which considers their implications for the relevant variabilities, as described in the Postal Service's response to Question 4 of Chairman's Information Request No. 1, Docket No. R2009-3, (May 15, 2009). When the Standard Mail Volume Incentive Program volume can be absorbed without any additional cost, the temporary short-run variability will be zero. For those activities in which there may be a relatively small adjustment in the amount of resources needed to handle the additional volume, the temporary short-run variability will be below the long-run variability. Note that only those cost segments in which there is clear operational support for excess capacity are considered in this cost analysis. In other words, there are other areas of possible excess capacity that have not been included, suggesting that the estimated attributable costs per piece presented below are likely to have an upward bias. The cost segments with temporary short-run variabilities which are different from their long-run variabilities are presented below. They are presented in two groups: 1) direct cost, where variability is a result of the activities performed; and 2) indirect or "piggyback" costs, where the variability is based upon the variability of one or more direct cost segments.

Direct Costs:

CS 1: Postmasters

Despite the declines in volume, the postmaster network has remained largely unchanged. Thus, additional volume caused by the Standard Mail Volume Incentive Program will not affect Postmaster Costs.

Piggyback or Indirect Costs:

CS 11: Custodial and Maintenance Services

This custodial and maintenance Services cost segment includes maintenance of equipment, building maintenance and custodial costs. These costs will be unaffected by additional summer discount volume because this work is driven by the amount of facility space and equipment to maintain, which will not increase in response to any additional volume caused by the Standard Mail Volume Incentive Program.

CS 12: Motor Vehicle Service

The costs for motor vehicle service (both labor and supplies) are driven by the number of vehicles to be serviced. Additional volume caused by the Standard Mail Volume Incentive Program will not cause the Postal Service to acquire or use additional any additional vehicles, because it currently has an excess capacity in vehicles. As a result, there will be no increase in motor vehicle service costs.

CS 15: Building Occupancy

Building occupancy includes rents and utilities. The Postal Service currently has more than enough building space, so additional volume caused by the Standard Mail Volume Incentive Program will not increase the number of buildings it owns or the rent payments it makes. Similarly, the utilities associated with lighting, cooling, or heating current facilities will not be increased.

CS 16: Supplies and Services

A portion of this cost segment is for custodial supplies. Like other custodial costs, the cost of custodial supplies will be unaffected by additional volume caused by the Standard Mail Volume Incentive Program.

CS 18: Administration and Area Operations

Personnel benefits costs are a part of the overall compensation for labor; and, therefore, have the same variability as labor costs in the aggregate. Because of the current excess capacity, the temporary short-run variability of aggregate labor costs is below the long-run variability. Thus, the temporary short-run variability for personnel benefits is also below its long-run variability.

CS 20: Other Accrued Expenses (Service Wide)

This cost segment includes depreciation and interest expenses for facilities, equipment and vehicles. The Standard Mail Volume Incentive Program will not cause any increases in facilities, equipment or vehicles, so it will not cause any increase in these costs.

The resulting short-run variabilities are presented in Table 1 detailed below. Both the long-run and temporary short-run attributable costs are based upon FY2009 accrued costs and the FY2009 ACR model. Applying the estimated short-run variabilities in the place of the long-run variabilities, as described in the Postal Service's response to Question 4 of Chairman's Information Request No. 1, Docket No. R2009-3, (May 15, 2009) yields the temporary short-run attributable costs appropriate for any additional volume created by the Standard Mail Volume Incentive Program. The temporary short-run attributable costs per piece, along with the respective long-run attributable costs per piece, are presented in Table 2 below for all the products included in the Standard Mail Volume Incentive Program.

The short-run attributable costs shown in Table 2 are obtained by adjusting the long-run FY 2009 attributable costs (from Docket No. ACR 2009, USPS-FY09-2) to

Table 1: Long Run and Temporary Short-Run Variabilities

Cost Segment	Current Long Run Variability	Proposed Summer 2010 Short Run Variability
C/S 1 Postmasters	17.7%	0.0%
C/S 2 Supervisors and Technicians	55.7%	55.7%
C/S 3 Clerks and MH – CAG A-J Offices	84.7%	84.7%
C/S 4 Clerks – CAG K Offices	62.7%	62.7%
C/S 6 City Delivery Carriers – Office Activity	86.7%	86.7%
C/S 7 City Delivery Carriers – Street Activity	37.1%	37.1%
C/S 8 Vehicle Service Drivers	60.4%	60.4%
C/S 10 Rural Carriers	37.0%	37.0%
C/S 11 Custodial and Maintenance Services	73.2%	0.0%
C/S 12 Motor Vehicle Service	26.8%	0.0%
C/S 13 Miscellaneous Local Operations	17.6%	17.6%
C/S 14 Transportation	86.9%	86.9%
C/S 15 Building Occupancy	70.3%	0.0%
C/S 16 Supplies and Services	49.1%	44.6%
C/S 17 Research and Development	0.0%	0.0%
C/S 18 Administration and Area Operations	42.8%	38.8%
C/S 19 General Management Systems	0.0%	0.0%
C/S 20 Other Accrued Expenses (Servicewide)	69.1%	0.0%

reflect excess capacity. The short-run variabilities provided in Table 1 were used, and then these costs were adjusted further to inflate them to July through September 2010 values through the application of Global Insight price indices. These calculations are provided in the spreadsheet “SR Attributable Costs for Summer Sale 2010.xls.” and “Summer Sale 2010 Inflation Factors.xls” attached herewith. Apart from the adjustment for inflation, the rest of the calculations are as described in the Postal Service response

to question 4 of Chairman's Information Request No. 1, Docket No. R2009-3, (May 15, 2009).

Table 2: Long-Run and Temporary Short-Run Unit Attributable Costs			
	Volumes	Long-Run Attributable Costs*	Short-Run Attributable Costs**
	(000s)	(in dollars)	
Std. High Density and Saturation Letters	5,085,391	0.063	0.056
Std. High Density and Saturation Flats and Parcels	12,356,828	0.067	0.061
Std. Carrier Route	9,901,988	0.160	0.144
Standard Regular Letters	46,867,847	0.109	0.094
Standard Regular Flats	7,814,466	0.448	0.382
Total	82,026,520	0.138	0.120

* FY 2009 CRA from Docket ACR2009, USPS-FY09-1.

**Based on variabilities from Table 1 and inflated to Summer, 2010.