

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

MODIFICATION OF ANALYTIC PRINCIPLES IN
PERIODIC REPORTING (PROPOSAL ONE
FY2010)

Docket No. RM2010-8

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTION 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 1
(March 9, 2010)

The Postal Service hereby files its responses to both questions of Chairman's Information Request No. 1, issued on March 4, 2010. Each question is stated verbatim, and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2992, FAX: -5402
March 9, 2010

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. A comparison of the distribution keys for Freight Rail and Inter-BMC Highway shows large differences for some classes of mail. Has the Postal Service considered other possible distribution keys that may be better proxies to use as a substitute for the non-sampled Freight Rail costs? Please elaborate.

RESPONSE:

The Postal Service viewed Table 2 of the attachment accompanying Proposal One as suggesting that, in fact, the differences by class of mail in the FY09 distribution factors based on Freight Rail versus Inter-BMC are not particularly large. The TRACS Inter-BMC distribution key seems to be a fairly close proxy to the TRACS Rail distribution key for most categories of mail, except perhaps for certain types of mail that are occasionally transported by Inter-BMC trucks, but very rarely by freight rail.

Nevertheless, one obvious alternative to use of the Inter-BMC Highway proxy, if the Rail sampling were discontinued, would be to continue in future years to use the most recent year's rail distribution factors to distribute the Freight Rail costs. That would, in essence, lock in FY09 Freight Rail TRACS data as the distribution key going forward. This approach has the advantage of being developed directly from the Rail transportation mode. Specifically, if the substantial reduction in the amount of Freight Rail accrued costs in the future is not anticipated to cause material changes in the *mix* of mail carried by rail, this option has substantial merit. On the other hand, if the accrued cost reduction had disproportionate impacts on the categories of mail carried by rail, the FY09 rail distributions could become less relevant.

Overall, however, given the small amount of cost (approximately \$15 million expected for 2010), the impacts of changing either to an Inter-BMC proxy, or a proxy of FY09 rail, would likely not differ to a material degree. Therefore, the Postal Service

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would consider either alternative to be acceptable, as both would allow the Postal Service to achieve its main objective, which is avoiding the burden of continuing to devote resources to rail sampling.

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2. Has the Postal Service considered a new allocation of Empty Equipment that may better reflect the amount of volume and equipment being transported by freight rail? Please elaborate.

RESPONSE:

The Postal Service is considering new treatments of Empty Equipment costs, but evaluation of alternatives is still at a relatively early stage, and no firm proposals have yet been formulated. But eliminating TRACS rail sampling would not interfere with progress in this endeavor.

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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