

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

Six-Day to Five-Day Street Delivery and
Related Service Changes, 2010

Docket No. N2010-1

Library Reference USPS-LR-N2010-1/10
Carrier Vehicle Maintenance and Fuel Cost Savings

PREFACE

PURPOSE: The purpose of USPS-LR-N2010-1/10 is to present the background materials relating to the carrier vehicle maintenance and fuel cost savings portion of the testimony of witness Colvin (USPS-T-7). Use of and reference to this set of materials are facilitated by consolidating it into one library reference. USPS-LR-N2010-1/10 is a Category 2 library reference, and will be sponsored by witness Colvin. It was prepared by Engineering Vehicle Maintenance Staff.

PREDECESSOR MATERIAL: None.

INPUT/OUTPUT: The inputs to this library reference are identified within specific analyses included herein. The outputs of this library reference are used by Costing witnesses, specifically Prof. Bradley (USPS-T-6) and Dr. Colvin (USPS-T-7).

CONTENTS: The library reference consists of this Word (pdf) document, plus two Excel spreadsheets:

Summary of Vehicle Maintenance Staff Work.xls
5 Day Cost 2009.Vehicle Maintenance Savings.xls

ORGANIZATION: This Word document is a set of sections, organized in relation to the associated Excel spreadsheets. Section One, in this document, gives an overview of the Engineering Maintenance Staff work. Section Two summarizes the results obtained by the Engineering Maintenance Staff in terms of cost segments 12.1 and 12.2, in spreadsheet "Summary of Vehicle Maintenance Staff Work.xls." This summary is linked or based on the spreadsheet obtained from Engineering. Section 3 contains a description of the methodology applied by Engineering in the Excel file "5 Day Cost 2009 Vehicle Maintenance Savings.xls."

SECTION ONE

Engineering vehicle maintenance staff provided estimates of savings related to reduced mileage and hours of operation for carrier vehicles based on Vehicle Management Accounting System (VMAS) data as shown in USPS-LR-N2010-1/10, Section 3. This analysis showed the percentage reduction in maintenance labor and in parts and supplies that would result from the elimination of Saturday

delivery. As indicated in Section 3, the Engineering vehicle maintenance staff reviewed FY 2009 maintenance labor and supplies and materials costs by type of expense for city and rural carrier vehicles to determine the impact of a one-sixth reduction in mileage and hours of operation. Fuel and oil were found to decline proportionately with mileage decline. However, a review of maintenance schedules (e.g., replacement of wiper blades every X months) by type of expense determined savings ranging from approximately 0 to 5 percent on maintenance labor and other supplies and materials. The result obtained in Section 3 is that the annual city carrier and rural carrier maintenance labor costs will decline by 3.2 percent and 3.55 percent, respectively. The result reported for parts and supplies costs (including fuel and contractor services) is that annual costs for city carrier and rural carrier vehicles will decline by 9.69 percent and 9.38 percent, respectively. The results from Section 3 are summarized in Section 2, in terms of the Cost Segments 12.1 (Postal Maintenance Labor) and 12.2. (Parts, Supplies, Contractor Costs, and Fuel).

SECTION TWO

Consists of "Summary of Vehicle Maintenance Staff Work.xls"

SECTION THREE

The following is the description provided by the Engineering Vehicle Maintenance Group of the methodology used to estimate the savings related to vehicle operating expenses when considering the reduction of one delivery day per week for city and rural carrier operations. Application of this methodology is presented in the Excel file "5 Day Cost 2009.Vehicle Maintenance Savings.xls," also provided by the Engineering Vehicle

Maintenance Group:

The Vehicle Management Accounting System (VMAS), EOY FY 2009 was used for the baseline cost data source. The Component Cost Report (AEL302P12) for vehicles assigned to city delivery and rural route function codes identifies an annual cost of \$717,671,391.84 for city delivery vehicles and \$171,359,760.40 for rural delivery vehicles in 2009.

Estimated reductions in costs were made for the following categories identified in the VMAS report.

- Fuel and Oil – No change in fuel economy is anticipated and this cost is estimated to be reduced proportionately by 1/6th.
(\$ 198,449,080 * .16667 = \$ 33,075,508)
- Allied Labor – Is a combination of labor functions not performed on a routine basis and include items like repairing vandalism, accident repair, vehicle sale preparation and shuttling vehicles. The savings for the reduction of these operations are estimated at 5%.
(\$ 41,177,455 * .05 = \$ 2,058,873)
- Parts and Materials (Contract and In-house) – The replacement frequency of vehicle parts is based on a combination of visual inspection, diagnostic procedures, and time intervals. While the replacement of some parts may be directly related to mileage, in many cases the replacement criteria is based on deterioration over time. Based on a review of historical part usage and our part evaluation method the savings with reduced is estimated at 5%.
(\$ 224,166,197 * .05 = \$ 11,208,310)
- Direct Maintenance Labor (Contract and In-house) – Direct maintenance was broke down into two categories for this evaluation.
 - The Preventive Maintenance Inspections (PMIs) is a specific inspection and service procedures performed at a mileage based interval. To project a reduction of PMIs a query was run in VMAS to categorize all delivery vehicles by annual mileage. After the annual mileages were reduced by 1/6th a comparison was made to determine the reduction of required PMIs based on the change in annual mileage. The savings was calculated at 3 hours labor multiplied by our average hourly labor rate for each PMI eliminated.
(22,039 PMIs * 3 Hours * \$46.53 = \$ 3,076,424)
 - The remaining cost associated with direct labor is directly related to replacing repair parts. This estimate was calculated at 5% to correspond with the part reduction percentage.
(\$ 175,082,821 * .05 = \$ 8,754,141)