

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

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 3

The United States Postal Service hereby provides its responses to Question 1 of Chairman's Information Request No. 3, dated April 30, 2010. Answers were sought no later than May 14. Each question is stated verbatim and is followed by the response.

The responses are sponsored by witnesses in this docket as follows:

Question 1(a) – Neri (USPS-T-4)

Question 1(b) – Colvin (USPS-T-7)

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux
Chief Counsel, Pricing and Product Support

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
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1. The Postal Service states that it examined various outgoing operations and determined what percentage of the workhours would be eliminated with the discontinuance of Saturday outgoing operations. USPS-LR-N2010-1/5 at 2. In some cases, this determination was made "by using postal experience."

- (a) For each category where the percentage of workhours eliminated was determined using postal experience, please explain the basis for the percentage used and the rationale behind the determination.
- (b) The costs that are not eliminated by the discontinuance of Saturday outgoing operations are assumed to be incurred on a different day when the mail that would have been processed on Saturday is processed. These costs appear to be driven by the processing of volume (hence the inability to eliminate them) and so can be thought of as volume variable. In contrast, the costs that can be eliminated implicitly would not be incurred when the volume is processed on an alternate day. Therefore, the costs that can be eliminated can be thought of as fixed with respect to volume.

For each category of operations, please explain why the assumptions used in this library reference are a better representation of the portion of costs driven by volume than the volume variability percentages.

RESPONSE:

(a) Postal experience is an element in determining workhour savings for all 15 categories of activities which we have identified in USPS-LR-N2010-1/5 at 2.

These categories are shown below, along with a listing or description of the operations included in each, the annual workhour savings and the share of the outgoing sorting workhours (essentially Tour 3 workhours) for that activity that are saved. Below we discuss each of these categories, providing the basis and rationale for the workhour savings.

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Annual Workhour Savings for Eliminating Saturday Outgoing Processes				
Activity	Annual Hours Saved	Operations Nos.	Share of Activity Hours Saved	
AFCS Cancellations	13,121	015	10%	
Other Cancellations	134,259	010, 011, 014, 016	100%	
Dock Operations	183,539	017, 018	50%	
Dispatch Operations	294,337	120, 121, 124, 125	100%	
Mail Movement via Equipment	361,452	229	100%	
Expediter	288,280	231	100%	
Priority Outgoing	27,194	328	100%	
Automation Letters	144,988	DBCS, MLOCR	25%	
Manual Letters	225,638	030, 040	35%	
Automation Flats	40,170	AFSM, UFSM	25%	
Manual Flats	44,046	051, 052, 060, 070	30%	
Mechanized Parcels	85,219	SPBS, APPS, LIPS	35%	
Manual Parcels	21,466	050	25%	
Supervisor	385,466	Supervisor	66.6%	
Indirect Operations (LDC 18)	516,269	LDC 18	75.1%	
Total	2,765,444			

General Discussion of Savings

The elimination of Saturday outgoing processing will save mail processing workhours. Not all of the workhours currently used on a Saturday in support of outgoing operations that would be eliminated under the proposed service change can be identified as savings, however, because it is assumed that Saturday's volume will move to another day, thus potentially creating work on the day that receives Saturday's volume.

Based on my experience, there are two possible sources of the savings in workhours related to each category, which are discussed generally here, and are also discussed further below. First, a portion of the mail that would have been processed for Saturday's outgoing sorting will be available earlier on Monday than is currently the case for existing Monday mail. Improving the arrival profile of Monday mail should act to improve the productivities observed on Mondays.

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Second, for some activity performed in our plants, there is a component that is used to support the operation, but is not dependent on the amount of mail being processed. These are activities that are not closely tied to volume and thus hold the potential for absorbing additional volume without generating additional hours. The hours required for these activities may vary on a daily basis, but do not necessarily change as volume increases or decreases. For instance, when mail is sorted into a bin on one of our machines, it takes the same amount of effort to sweep 20 pieces of mail as it does to sweep 100 pieces of mail. Moving a tray takes the same amount of time whether that tray contains a single piece of mail or 500 pieces of mail. Also, see my testimony, USPS-T-4 at 16.

Based on operational experience with these types of factors, we formulated estimates of the proportion of the relevant Saturday workhours which could be absorbed if the Saturday outgoing volume in each activity was instead processed on Monday. In conjunction with this effort, an analysis was performed using workhours obtained from MODS which is pertinent to many of these categories. Hours were evaluated during the four week period of September 12, 2009 to October 9, 2009. In every case, Saturday's volume and productivities were lower than Monday's volumes and productivities. The increase in productivity is due partly to an increase in the efficiency of the allied operations performed in support of the direct operation – even though both of these activities are bundled in the same operation number. The other portion of the increase is

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because with more volume, we have a better opportunity to maintain consistent flows on our machines. Saturday's volume has many peaks and valleys, and when volumes are low, inefficiencies occur.

Table A below shows the Saturday and Monday productivities, and (in the penultimate column) calculates the percentage of Saturday hours that would be saved if the Saturday volumes were worked at the Monday productivities. The last column in Table A presents the actual percentages of the activities' relevant Saturday workhours I have estimated would be absorbed if Saturday's volume were processed on Monday. My actual estimates align very closely with the estimated percentage savings that would result if Saturday volumes were worked at Monday productivities (based on our four week sample). In those cases in which my estimate is higher, I am comfortable with that result because we know that we will have more mail available earlier on Mondays. Any mail accepted across the counter or deposited in the collection boxes during the weekend would be available for dispatch from the Post Offices Monday morning. The transportation used to bring the DPS mail Monday morning would then be utilized to return this collection mail.

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Table A - Productivities Examined Across Days

Operation	Sat Vol	Sat Hrs	Sat Prod	Mon Vol	Mon Hrs	Mon Prod	Sat Hrs @ Mon Prod	Hrs Save	Percent Improve	Actual % used to calculate workhour savings
AFCS	131,369,319	8,899	14,762	325,855,234	20,181	16,147	8,136	763	9%	10%
Auto Flat	18,986,497	9,602	1,977	42,594,716	16,435	2,592	7,326	2,276	24%	25%
Man Flat	2,883,167	11,521	250	6,968,617	19,095	365	7,900	3,621	31%	30%
Auto Ltr	253,293,194	44,684	5,669	608,972,984	83,433	7,299	34,703	9,981	22%	25%
Man Ltr	16,141,087	44,833	360	38,336,714	71,539	536	30,121	1,713	33%	35%
Mech PP	3,159,825	22,303	142	7,454,007	34,213	218	14,503	7,799	35%	35%
Man PP	1,195,860	5,690	210	3,443,815	12,071	285	4,192	1,498	26%	25%

AFCS Operations

AFCS operations are comprised of the workhours in operation number 015, which are the workhours used in running and supporting the AFCS machine. Some of the work performed in operation 015 is in support of running the machine, such as getting trays and clearing jams. Moving the volume to another day will not require all of the support or allied work time used on Saturday. As discussed above, our analysis indicates that the productivity for Monday is higher than that on Saturday by 9 percent, due to greater allied efficiencies and better workflow. Anticipating that we will be getting a portion of Saturday's volume in earlier on Monday as well, I estimate that 10 percent of Saturday's workhours are registered as savings.

Other Cancellations

The operations used in this group are as follows:

- Operation number 010, Hand Cancellations

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- Operation number 011, Micro Mark Cancellations
- Operation number 014, Flyer Cancellations
- Operation number 016, Flat Cancellations

The Other Cancellations category is the cancellation of mail that is not worked on an AFCS machine. This includes mail cancelled using a micro mark or a flyer or is hand cancelled.

This set of operation numbers also incorporates other activities that are used in support of the entire cancelling operation and are not solely for the activities as specified above. The field enters work hours that are used to support the Dual Pass Rough Cull (DPRC) and Loose Mail System (LMS). The share of the Other Cancellations workhours associated with DPRC and LMS can be determined based on the share of hours reported with no corresponding volumes. These operation numbers were analyzed for a four week period in the Fall 2009. As shown in the table below, approximately 37 percent of the workhours that were reflected in these operation numbers came from sites that reported only work hours with no corresponding volume.

For this category, 100 percent of the relevant Saturday work hours are calculated as savings. There are two reasons for this. First, when a site performs hand cancellations or is operating with micro marks or flyers, much of the time is spent waiting for the mail. This operation has the smallest volume and represents an operation that experiences many peaks and valleys. The average Saturday volume of 6,000 pieces of mail per plant would easily be absorbed in Monday's waiting time. Second, the work in support of the DPRC and LMS is essentially to set up these operations, and operate a large piece of

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fixed mech equipment. This is work that does not vary due to daily volume fluctuations.

The USPS-LR-N2010-1/5, "Mail_processing_background_3_30_10.xls" tab **010 trend through week** shows workhours for 010 do not vary much across days of the week, despite volume differences. As shown below, 010 workhours are the largest portion of this category.

MODS Work Hours and Volume 9/12/2009 – 10/09/2009

Operation	Sat Volume	Sat Hrs	% of Hrs	Plants with only Volume	Plants with only work hours	Plants with both work hours and volume	Total work hour without volume	% hours with no volume
010	1,886,147	6,985.96	84.26%	103	161	87	2,626	37.59%
011	139,431	28.84	0.35%	2	3	1	-	0.00%
014	3,316,985	867.65	10.46%	100	56	46	180	20.75%
016	63,333	408.71	4.93%	15	27	5	305	74.63%
Total	5,405,896	8,291					3,111	37.52%

Dock Operations

The operations used in this category are as follows:

- Operation number 017, Canceling Operations Miscellaneous
- Operation number 018, Collection Mail Separations

The activities used in these operations include the setup of the entire cancellation operation such as obtaining empty equipment and trays, placement of the empty equipment in their prescribed locations and the moving of mail from one location to another. Also included in this operation are breakdown of cancellation mail by shape, and the segregation of machineable mail from non-machineable mail.

For this category, 50 percent of the work hours are recorded as savings. Approximately 60 percent of this time is used to set up the operation, and the

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remainder is used in support of either moving or cancelling the mail. The setup time occurs each day the operation is run, and is not necessarily dependent on the volume processed. But given that the time spent breaking down the mail and the time spent setting up empty equipment both have some relationship to the volume, we concluded that 50 percent of the relevant Saturday work hours should be taken as savings.

Dispatch Operations

The operations used in this category are as follows:

- Operation numbers 120 and 121, Manual Pouching Outgoing
- Operation numbers 124 and 125, Dispatch Operations Outgoing
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100 percent of the workhours used in manual pouching and dispatch operations will be saved because there will be no dispatching of collection mail on Saturday.

No additional hours are needed on Monday for the following reason. This operation involves gathering Mail Transport Equipment (MTE) from various processing operations to a central point. The operation combines mail into full MTE to reduce the profile of MTE being sent on outbound trucks. The number of source operations and outbound trucks on Monday will not change by moving mail from Saturday. Processing operations will be able to produce more, full MTE from the source operation for dispatch and avoid the processing of minor MTE in the operation. The net effect will be zero increase on Monday.

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Mail Movement

The operation used in this category is as follows:

- Operation numbers 229 – Equipment Operator - Tow

The work hours used to transport mail using a powered instrument such as a tow motor or a powered jack are recorded in operation 229. All of this work is eliminated from Tour Three on Saturdays because of the elimination of outgoing operations.

First, we determined that, with respect to outgoing operations, the relevant Saturday workhours in Operation 229 were the Tour Three hours. This equated to 35 percent of all of the hours used in this operation on Saturday.

There is no need to add staff on Mondays. While there will be additional mail volume to dispatch, the amount of work is driven more by the number of trucks to load. As indicated by witness Grossmann, USPS-T-5 at 12, there will not be a need to add transportation on Monday.

There is a 100 percent savings of the relevant work hours in this category. It should also be noted that no workhour savings were taken for operations 210-213, for which there were about 47,800 workhours on Saturday for FY09. For those plants that have a single dock, personnel typically clock on either operations 210-211 or 212-213. Both of these operations have a component of processing either outbound or inbound mail. Given the complexity of identifying what portion of these work hours are in support of outbound operation, no absorptions were assumed for these operations. Also, no savings were taken for

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Opn 230, Forklift, which has significant Saturday hours. The forklift is generally used when loading/unloading palletized mail. This typically happens with presort mailings that are destinating in nature or destinating volumes from the NDC.

While there could be some movement of pallets for originating presort, it was decided that this was the absolute minority of the workload. In addition, there is no separation of activities for use of the forklift for incoming versus outgoing mails. Likewise, I would not expect this to be affected on Monday either.

Expeditor

The operation used in this category is as follows:

- Operation number 231 - Expeditor

The expeditor monitors mail processing activities to ensure the timely movement, processing, and dispatch of mail. All of this work is eliminated because there are no outgoing operations on Saturday.

First, we determined that, with respect to outgoing operations, the relevant Saturday workhours in Operation 231 were the Tour Three hours. This equated to 35 percent of all of the hours used in this operation on Saturday. Once the relevant hours were identified, 100 percent were estimated to be saved.

As with the category Mail Movement, there is no need to add staff on Mondays. While there will be additional mail volume to dispatch, the amount of work is driven more by the number of trucks to load. As indicated by witness Grossmann, USPS-T-5 at 12, there will not be a need to add transportation on Monday.

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Priority Outgoing

The operation used in this category is as follows

- Operation number 328 – Priority Mail Shape Separation Outgoing

This operation encompasses the activities in support of processing outgoing Priority Mail including the transport of mail, the equipment set up and labeling and containerization.

We estimate we can capture 100 percent of these workhours because most of the work is fixed labor done in support of the operation.

Automation Letters

Every automated letter operation that was performed on Saturday and processed outgoing operations (either outgoing primary or outgoing secondary) was placed into the category of automated letters. Specifically the operation numbers used in this category are indicated in USPS-LR-N2010-1/5 at 5.

We estimate we can capture 25 percent of the workhours used to process the mail on Saturday in support of outgoing operations. This is consistent with the productivity difference shown in Table A for this activity, taking into account that mail will be at the plants earlier, allowing for a more continuous flow.

Manual Letters

This activity includes Saturday outgoing primary and secondary operations used when manually sorting letters. Specifically the operation numbers used are listed below:

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- Operation number 030, manual letters – outgoing primary

- Operation number 040, manual letters – outgoing secondary

We estimate we can capture 35 percent of the workhours used to process the mail on Saturday in support of outgoing operations. This is consistent with the productivity difference shown in Table A for this activity, taking into account that mail will be at the plants earlier, allowing for a more continuous flow.

Automated Flats

The operations in this category are indicated in USPS-LR-N2010-1/5 at 6.

We estimate we can capture 25 percent of the workhours used to process the mail on Saturday in support of outgoing operations. This is consistent with the productivity difference shown in Table A for this activity, taking into account that mail will be at the plants earlier, allowing for a more continuous flow.

Manual Flats

This activity includes Saturday outgoing primary and secondary operations used when manually sorting flats. Specifically the operation numbers used are listed below

- Operation number 051, manual flats – outgoing primary –Priority

- Operation number 052, manual flats – outgoing secondary -Priority

- Operation number 060, manual flats – outgoing primary

- Operation number 070, manual flats – outgoing secondary

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We estimate we can capture 30 percent of the workhours used to process the mail on Saturday in support of outgoing operations, which is consistent with the productivity difference shown in Table A.

Mechanized Bundle and Parcel sortation

This activity includes Saturday outgoing primary and secondary operations used when sorting bundles or parcels on an mechanized piece of mail sorting equipment such as a Small Parcel and Bundle Sorter (SPBS) or an Automated Package Processing System (APPS). The operations in this category are indicated in USPS-LR-N2010-1/5 at 7.

We estimate we can capture 35 percent of the workhours used to process the mail on Saturday in support of outgoing operations, which is consistent with the productivity difference shown in Table A.

Manual Parcel sortation

This activity includes Saturday outgoing primary and secondary operations used when manually sorting Priority Mail. Specifically the operation numbers used are listed below

- Operation number 050, manual mixed shapes – outgoing primary

We estimate we can capture 25 percent of the workhours used to process the mail on Saturday in support of outgoing operations, which is consistent with the productivity difference shown in Table A.

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Indirect Time, LDC 18

Within LDC 18, workhours from Saturday Tour Three operations were initially identified as the candidate pool for savings. A detailed analysis was then performed using data for Tour Three at the operational level for the weeks from 9/12/09 through 10/9/09. This was a 4-week period which did not contain holidays or other abnormal mailing situations. Each operation was examined to determine if the activity would remain (empty equipment processing, Express mail operations, etc.) or be eliminated (Registry, standby, etc.). When summed, the result was that 75.71 percent of the workhours would be eliminated by reducing the specific activities. This percentage was then applied to the Tour Three hours to determine the targeted savings. Because these activities are not volume dependant, they will not require additional hours when the workload is moved to Monday. Operations which are volume dependant (Express Mail, empty equipment, PARS waste, etc.) were left on Saturday. An example of an operation which is not affected by higher Monday volume is the Registry operations (accounting for about 28.5 percent of the Saturday work hour savings for this category).¹ Registry hours are primarily driven by the financial transactions for the district, such as closeouts at post offices. These transactions would not be increased on Monday.

¹ See USPS-LR-N2010-1/5, "Mail_processing_background_3_30_10.xls" tab "T3 LDC 18 By Oper".

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Supervision

As with LDC 18, Saturday workhours from Tour Three were identified as the candidate pool for savings. We then performed a detailed analysis of the operations being changed to determine which would be reduced and which would continue. Data for Tour Three at the operational level were pulled for the period from 9/12/09 through 10/9/09. This was a 4-week period which did not contain holidays or other abnormal mailing situations. The result was that 66.59 percent of the supervision hours from Tour Three on Saturday could be eliminated. The remaining Saturday hours will support any other activities. On a daily basis, these hours are not volume dependant. Supervisors are used to manage sets of operations (manual letter cases), or groups of machines (DBCS, AFSM, etc). Using more cases or adding another machine would not require an additional supervisor on Monday. Circumstances under a potential one-day increase in volume (i.e., on Monday) are different from alternative circumstances that might exist if workload materially changed across all days, because then Supervisor staffing might need to be adjusted.

(b) The response to part (b) is being filed by witness Colvin.

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1. The Postal Service states that it examined various outgoing operations and determined what percentage of the workhours would be eliminated with the discontinuance of Saturday outgoing operations. USPS-LR-N2010-1/5 at 2. In some cases, this determination was made "by using postal experience."

(a) For each category where the percentage of workhours eliminated was determined using postal experience, please explain the basis for the percentage used and the rationale behind the determination.

(b) The costs that are not eliminated by the discontinuance of Saturday outgoing operations are assumed to be incurred on a different day when the mail that would have been processed on Saturday is processed. These costs appear to be driven by the processing of volume (hence the inability to eliminate them) and so can be thought of as volume variable. In contrast, the costs that can be eliminated implicitly would not be incurred when the volume is processed on an alternate day. Therefore, the costs that can be eliminated can be thought of as fixed with respect to volume.

For each category of operations, please explain why the assumptions used in this library reference are a better representation of the portion of costs driven by volume than the volume variability percentages.

RESPONSE:

(a) The response to part (a) is being filed by witness Neri.

(b) Library reference USPS-LR-N2010-1/5 is not designed to shed light on the question of what is a better or worse representation of the portion of costs driven by volume. The key question, rather, is how best to estimate the change in (accrued) costs when the *same* volume is redistributed across fewer (and different) days of the week. The change in cost should reflect changes in operations as a result of the switch to the distribution of volume across the days of the week under the 5-day plan.

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The concept of volume variability, while critical as part of the estimation of the cost attributable to a postal product, may be of limited use in the estimation of likely cost savings from changes in delivery frequency. The concept refers to the cost impact of small changes in the level of volume, under a host of *ceteris paribus* assumptions.

The fact that volume variability is a “change” concept associated with changes in the level of volume has been highlighted by the Commission in its discussion of the use of volume variability to analyze the effects of reducing the number of delivery days:²

The [volume variable] modeling approach is designed to measure the effect on costs of adding the next piece of volume. This is measured to provide the basis for an economically efficient price signal that can guide the buying decision of the mailer. Changing the frequency of delivery throughout the network involves not just huge increments of volume, but also a basic reconfiguring of the delivery function to deal with huge increment of volume.

Because volume variability is used to find the change in cost for a small, sustained change in annual volume, its value may be limited in examining a major operational change, like eliminating Saturday delivery, at the same level of volume. This, too, has been emphasized by the Commission:³

[M]odels used to find the volume variability of individual products for pricing purposes solve a

² See, “*Report on Universal Postal Service and the Postal Monopoly*,” Postal Regulatory Commission, December 19, 2008 at 128-129.

³ Id.

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different problem than the one posed by changing the frequency of delivery throughout the network.

Consequently, in analyzing the mail processing response to elimination of Saturday delivery, the Postal Service followed a different approach, one that focused on how operations would change when the same volume is redistributed across fewer days of the week. In other words the Postal Service tried to follow the Commission's dictate in analyzing elimination of Saturday delivery and outgoing processing:⁴

This calls for a very different model—one that concerns itself with major changes in total workload and how the processing and delivery functions would be reorganized to meet them.

As described in part a. of the response to this question, careful analyses of the reorganization of the processing function led to the development of the percentages of workhours that would be saved by eliminating Saturday delivery. Because these percentages reflect the type of operational analysis prescribed by the Commission, and do not suffer from the concerns the Commission expressed with the use of volume variabilities, they are the better estimates of the costs saved.

The question specifically asks why the operational percentages are “a better representation of the portion of costs driven by volume” than the ratios of volume variable to accrued cost. To answer the question, one must first interpret the

⁴ Id.

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term “the portion of costs driven by volume.” Because the phrase does not have a unique definition, its meaning must be derived from the context. In other contexts, the term could be interpreted as total volume variable cost or as total variable cost.⁵ However, given that the cost saving exercise being examined here is the estimation of savings generated by a switch to five-day delivery, the phrase should refer to the cost being driven to other days of the week when Saturday delivery and outgoing processing are eliminated. That being the case, it becomes clear that the ratios from the library reference are better measures of the cost driven to other days of the week than volume variabilities, because they were specifically designed to measure that outcome. Volume variable cost ratios were not designed to measure this outcome and embody a set of assumptions inconsistent with the five-day delivery analysis.⁶

An example of how using the volume variable cost ratios would lead to erroneous results arises from the fact that mail processing productivities are not equal across the days of the week. In Automated Letter sorting, the average Monday productivity is 7,299 pieces per hour, while the average Saturday Automation labor productivity is 5,669 pieces per hour.⁷ I understand from witness Neri that the higher productivity occurs because of a favorable working environment on

⁵ Note that the term ‘variable cost’ refers to costs that result from the employment of a variable factor of production to produce a positive amount of output, and that the term ‘volume variability,’ in contrast, measures the rate at which costs change as volume changes.

⁶ These assumptions include things like assuming that Postal Service mail processing operations are unchanged, and that the distribution of volume across the days of the week does not change.

⁷ See USPS-LR-N2010-1/5, spreadsheet Mail_processing_background_3_30_10.xls, tab “WeekDay Analysis”

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Monday, such as having mail arriving earlier in the day, and a more even and predictable mail flow. To the extent that the higher productivity is not volume-related but occurs because of a more favorable work environment, moving the mail from a relatively inefficient Saturday operation to a more efficient Monday operation will save hours even if the volume variability of this operation is 100 percent. Note that under the volume variability approach, it is assumed that volume rises on both Monday and Saturday, keeping the proportional relationship between volumes and hours intact. That assumption is not true in the current costing analysis, and illustrates why using the volume variability percentage could lead to the wrong answer.

The above discussion on Automation Letters applies as well for the other six categories where the savings were developed in conjunction with observed differences between Saturday and Monday productivities. These categories are AFCS cancelation, Manual Letters, Automated Flats, Manual Flats, Mechanized Parcels, and Manual Parcels.

Another example of where volume variabilities would lead to erroneous cost savings estimates is the category Expediter. Expediter is part of the platform cost pool, and in FY 2009, it had a variability of 92.5 percent.⁸ As discussed in his separate response to part a. of this question, witness Neri indicates that all Saturday Expediter work on outgoing transportation can be saved. I understand that this is because there would no longer be a need for those hours on

⁸ See Docket No. ACR2009, USPS-FY09-7

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Saturday, and no additional Expediter work hours would need to be added on Monday, given that the number of Monday trucks to be managed by Expeditors is not changing. The latter result is not suggesting that Expediter costs have an overall volume variability of zero, but rather is the result of dealing with the specific question of the cost impact of shifting volumes between Saturday and Monday.

Dock operations provide another example. Dock operations are part of the Cancellation cost pool and have a variability of 98.8 percent. As indicated in response to part a of this question, witness Neri indicates that only 50 percent of the Saturday workhours will be needed for Monday, since most of this operation is related to set up. The setup time occurs each day the operation is run and is not dependent on the amount of volume processed, and thus the setup already being done on Monday need not be duplicated. Based on his judgment and experience, in conjunction with the examination of operational data, Witness Neri has focused on the narrow question of the change in work hours associated with shifting the outgoing Dock operations currently performed on Saturday to Monday. He is addressing a different question than does the classical volume variability analysis, which focuses on small sustained volume changes that are assumed to be evenly spread over all days of the week, and thus, not surprisingly, he reaches a different answer.