

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY  
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4

RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS FROM THE BENCH AT THE HEARING FOR MR. CORBETT  
(August 17, 2010)

The United States Postal Service hereby provides its response to the oral question posed from the bench at the August 10 hearing on the statement of Mr. Corbett. The relevant portion of the transcript is quoted, and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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Eric P. Koetting

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1137  
(202) 268-2992, FAX: -5402  
August 17, 2010

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
ORAL REQUEST AT THE HEARING ON AUGUST 10, 2010**

**Tr. 1/88.** Submit separate information on the Postal Service's total factor productivity from 2000 to 2009.

**RESPONSE:**

“Total Factor Productivity, USPS Annual Tables, FY 2009”, was filed on March 2, 2010 with the Postal Regulatory Commission. The link to the Excel file can be found on the Daily Listing for that date. It is 19<sup>th</sup> on the list of 20 items filed that day. A table in that file, at Tab Tfp-52, is excerpted below:

**Table 52**

**Workload, Input and Total Factor Productivity (TFP) Indexes  
(indexes based to 1.0 in 1972)**

<u>Year</u>	<u>Workload</u>	<u>Input</u>	<u>TFP</u>	<u>Growth Rates (%)</u>		
				<u>Workload</u>	<u>Input</u>	<u>TFP</u>
2000	1.573	1.442	1.091	1.9	-0.3	2.2
2001	1.565	1.410	1.110	-0.5	-2.2	1.7
2002	1.535	1.370	1.121	-1.9	-2.9	1.0
2003	1.525	1.337	1.141	-0.7	-2.4	1.8
2004	1.546	1.324	1.168	1.4	-1.0	2.4
2005	1.575	1.334	1.181	1.8	0.7	1.1
2006	1.586	1.340	1.183	0.7	0.5	0.2
2007	1.582	1.316	1.203	-0.2	-1.9	1.7
2008	1.536	1.284	1.196	-3.0	-2.4	-0.6
2009	1.412	1.192	1.184	-8.4	-7.4	-1.0

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
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**TR. 1/89.** Could you provide the percentage increase in rates if any that the Postal Service implemented during the recession in September 1902, January 1910, January 1913, August 1929, November 1973, and July 1981?

**RESPONSE:**

The price for a First-Class stamp was 2 cents from July 1, 1885, until November 3, 1917. So it appears that the percentage increase was zero in September 1902, January 1910, and January 1913.

The price for a First-Class stamp was 2 cents from July 1, 1919, until July 6, 1932. So it appears that the percentage increase was zero in August 1929.

Regarding the period of time near November 1973, the price of a stamp increased 25 percent on March 2, 1974, from 8 cents to 10 cents. The overall increase was about 22 percent. Then on December 31, 1975, the price increased to 13 cents, or another 30 percent.

The first increase after July 1981 occurred on November 1, 1981. The stamp increased from 18 cents to 20 cents, or 11.1 percent. The overall increase was 18.7 percent.

The Postal Regulatory Commission website contains data regarding price histories. Please see <http://www.prc.gov/prc-pages/about/offices/History.aspx>.

It is important to note that the rate-setting mechanisms over the last 108 years have varied considerably.

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**TR. 1/98.** It would be helpful, staff is asking, if you could provide us a response that assumed that [Congress] eliminates the \$5.5 billion prefunding requirement and the \$2.2 billion current premium.

**RESPONSE:**

Elimination of the prefunding requirement and the annual current premium payments would obviously help the financial situation significantly. In this instance, the implication would be a \$7.7 billion improvement in operating results.

If Congress provided the Postal Service the value of the \$55B of CSRS over-payment to use for paying RHB pre-funding and retiree health insurance premiums, the \$55B would cover the costs of RHB through 2015 and part of 2016. This would save \$55B of RHB costs, while interest costs over the 10-year period would decline by \$16B. The Postal Service's cumulative losses (2010 thru 2020) would decline from approximately \$113B to approximately \$42B.

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**TR. 1/101-02.** How much money do you think the Postal Service could save if it proceeded with those 162 post offices, how much money the Postal Service thinks it could save by other reductions in post offices and how much money the Postal Service thinks it will save by closing processing facilities, assuming that you had more flexibility to do it, or what would the dollars add up to in those different programs that you're asking about.

**RESPONSE:**

Regarding stations and branches, a large number of offices were initially reviewed to determine if closure or consolidation was feasible. Based on field reviews, 144 offices were ultimately determined to be "considered for closure." (Subsequent review had reduced the 162 figure quoted in the question to 144.) Individual feasibility studies are estimated at \$22 million total annualized savings only if the 144 facility consolidations are fully implemented. The remaining offices identified were deemed "not under consideration at this time."

Regarding the consolidation of mail processing facilities, additional opportunities could occur if more flexibility were available, as noted in the question. Consolidating outgoing and/or incoming mail processing operations, among one or more plants, takes into account service objectives and operational efficiency improvements. Following the established Area Mail Processing (AMP) guidelines, a number of feasibility studies were initiated in the last year. Based on those studies, and if implemented, there is an expected \$92 million in total annual savings. The total value of future opportunities depends on detailed analyses, and we are not in a position to offer an estimate at this time.

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**TR. 1/103.** I would like to add to that question about post offices the percentage of post offices that are losing money, because you stated that the majority of post offices lose money, and I think it would be helpful for us just in this same vein to have the percentage of post offices that are losing money, particularly the different EAS level, you know, breakdown according to the different EAS level facilities. And in that I would ask that you include stations, branches, and post offices.

**RESPONSE:**

There are many different ways to measure “profitability”. Several will be covered in this response.

First, one can compare retail revenue to total expenses, but excluding delivery expenses. Using that measure, 7,770 Post Offices are profitable, which means that 71 percent lose money.

Second, one can compare retail revenue to total compensation expense, but excluding delivery expenses. Using that measure, 12,539 offices are profitable, which means that 53 percent lose money.

Third, one can compare the retail revenue to total compensation for an office. Using that measure, 3,204 Post Offices are “profitable”, which means that 88 percent would lose money.

Fourth, one can compare retail revenue to total expenses. Using that measure, 2,205 Post Offices are profitable, which means that 92.5 percent lose money.

Data by EAS level are not available.

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**TR. 1/108.** The NALC made an offer to the Postal Service to include a package of proposed savings, one of which was a separate workforce of letter carriers to deliver mail on Saturday and that all other letter carriers would be working on weekdays. And this was something that the Postal Service decided not to go with... Perhaps we could get something in writing back from the Postal Service as to why they didn't pursue that option?

**RESPONSE:**

In his testimony in Docket No. N2010-1, witness William Young states that during the bargaining sessions that led to the 2006 National Agreement between the Postal Service and the National Association of Letter Carriers, AFL-CIO ("NALC"), the NALC made an offer to the Postal Service that included a "package of proposed savings," including a separate workforce of letter carriers to deliver mail on Saturdays, made up of retirees and new hires. NALC-T-2 at 1.

The NALC's on-the-record proposal for a new Saturday workforce contained the following:

(1) conversion of all city letter carriers to an all regular, full-time, Monday through Friday workforce (regardless of office size), (2) establishment of "Saturday Carriers," for which retired city carriers would have preference, with Saturday Carriers to be covered by the collective bargaining agreement with limited exceptions appropriate to their status, (3) USPS and NALC to seek approval from OPM for an "early out" voluntary early retirement, and (4) prohibition against subcontracting any city letter carrier work.

The parties did not reach agreement on this NALC proposal. Instead, the Postal Service was able to achieve greater flexibility through increased ability to utilize Transitional Employees with the 2006 National Agreement. The Postal Service calculated that the savings it achieved through additional ability to utilize Transitional Employees were at least equal to the savings it would have achieved had it agreed to the NALC's proposal.

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**TR. 1/111.** I'd like to know what you all consider to be a money losing post office. You know, not everyone agrees that just because the post office doesn't sell enough stamps to cover the land on the building and the clerk or the postmaster's salary that it's a money loser. So I don't know what the definition of money losing post office might be, but I would like to see what the Postal Service thinks the definition of a money losing post office is.

**RESPONSE:**

Please see the earlier response in this set to the question stated at Tr. 1/103.

## **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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Eric P. Koetting

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