

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

RATE ADJUSTMENT DUE TO EXTRAORDINARY
OR EXCEPTIONAL CIRCUMSTANCES

Docket No. R2010-4

SUPPLEMENTAL RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION FROM THE BENCH AT THE HEARING FOR MR. NERI
(August 27, 2010)

The United States Postal Service hereby provides a supplement to its response to the oral question (Tr. 3/333-34, 336) posed from the bench at the August 12 hearing at which Mr. Neri responded to questions on the Flats Strategy document. The relevant portion of the transcript is quoted, and is followed by the original response (unrevised) and a supplemental response that provides additional explanation and data related to the productivity comparisons in the original response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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TR. 3/333-34; 336. How has the flats processing operation been performing in relationship to its budget? Are you meeting expectations with your flats processing, based on productivity and performance indicators?

RESPONSE:

Analysis indicates that flats mail processing operation has experienced continuous improvement over the last several years. In reviewing the past 4.7 years, from FY 2006 through July 2010, the flat operations have realized work hour reductions each year while productivity has improved. Total flat productivity for mail processing MODS facilities between FY 2006 and FY 2009 has increased by 35.2 percent for flat prep and distribution operations. The increase in productivity is from initiatives implemented over time, as well as day-to-day management activities.

Furthermore, total flat workhours from FY 2006 to FY 2009 have decreased by 26 percent, with a projected additional decrease of 14.4 percent in flat prep and distribution operations for FY 2010 in mail processing MOD facilities. The decrease has outpaced total work hour reductions in mail processing MODS facilities; which has declined by 24.5 percent from FY 2006 to FY 2009. Expectations are for flats workhours to decline another 11 percent in FY 2010.

While volume declines have contributed to some of the reductions, deliberate day-to-management oversight has also contributed as reflected in the improved productivity.

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Additionally, it should be noted that the cost measurement systems for products are more broad-based, and encompass all activities and cost segments, not only mail processing. The below data illustrate operational performance trends limited to distribution operations, and do not reflect total costs that are associated with the flat-shaped products, such as facilities, delivery, fuel, etc.

Type	FY06	FY 07	FY08	FY09	FY 09 SPLY	July YTD FY10
Flats Hours	36,832,205	35,011,751	31,437,878	27,270,043	23,036,343	19,720,500
Total Hours	311,517,528	296,473,656	273,562,414	235,153,735	199,001,830	177,028,006
Volume	54,221,639,437	60,574,857,305	56,697,424,931	54,270,032,312	45,693,425,771	39,067,831,757

Work Hours Comparison					
Type	FY10 YTD vs FY09 SPLY TD	FY09 vs FY 08	FY08 vs FY 07	FY07 vs FY 06	FY 09 vs FY 06
Flats Hours	-14.4%	-13.3%	-10.2%	-4.9%	-26.0%
Total Hours	-11.0%	-14.0%	-7.7%	-4.8%	-24.5%

	FY06	FY 07	FY08	FY09	FY 09 SPLY TD	July YTD FY10
Productivity	1,472	1,730	1,803	1,990	1,984	1,981

Productivity Comparison					
	FY10 YTD vs FY09 SPLY TD	FY09 vs FY 08	FY08 vs FY 07	FY07 vs FY 06	FY 09 vs FY 06
Productivity	-0.1%	10.3%	4.2%	17.5%	35.2%

Supplemental Response (Added August 27, 2010)

The original response features a table showing work hours, volumes, and productivities for the flat mail distribution and preparation operations during Postal Fiscal Years 2006 to Postal Fiscal Year-to-Date 2010.

It is important to reiterate that the data and methodology presented are used for internal operational performance measurement and analysis. The cited

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volumes represent workload units from MODS for the flat distribution (sorting) and flat prep subset of Function 1 Mail Processing operations. It is important to keep in mind that individual mailpieces may be handled (and thus counted for workload purposes) in both distribution and prep operations, and may further require subsequent handlings. Thus, the distribution and prep workload reflects multiple handlings per individual (RPW) piece. Likewise, the Flat Hours also represent only the distribution and prep subset of the Function 1 MODS operations where flats may be processed (and exclude, for example, bundle sorting and platform operations).

The employee work hour data are broken out into two separate operational line items. The Flat Dist Hours consist of employee work hours in MODS operation numbers– 051-054, 060,062,063, 069,070,073-075, 141-147, 170,175, 178,179,194, 195, 305-308, 331-337, 401-407, 441-448, 450-451, 461-467, 531, 532, 535, 538, 811-819. These represent all of the automated and manual distributions performed in Function 1. The Flat Prep Hours consist of employee work hours in MODS operation numbers 035 and 140, which represent mail preparation activities that support the distribution operations by providing mail for distribution in a format conducive to efficient distribution. Total Flat Hours are the sum of the distribution and mail preparation hours and Total F1 Hours are all hours used in Function 1 mail processing activities.

Type	FY06	FY 07	FY08	FY09	FY 09 SPLY	July YTD FY10
Flat Dist Hours	26,612,441	22,103,747	19,334,517	16,228,903	13,743,668	11,366,717
Flat Prep Hours	10,219,763	12,908,004	12,103,361	11,041,140	9,292,675	8,353,783
Total Flat Hours	36,832,205	35,011,751	31,437,878	27,270,043	23,036,343	19,720,500
Total F1 Hours	311,517,528	296,473,656	273,562,414	235,153,735	199,001,830	177,028,006

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Work Hours Comparison					
Type	FY10 YTD vs FY09 SPLY TD	FY09 vs FY 08	FY08 vs FY 07	FY07 vs FY 06	FY 09 vs FY 06
Flat Dist Hours	-17.3%	-16.1%	-12.5%	-16.9%	-39.0%
Flat Prep Hours	-10.1%	-8.8%	-6.2%	26.3%	8.0%
Total Flat Hours	-14.4%	-13.3%	-10.2%	-4.9%	-26.0%
Total F1 Hours	-11.0%	-14.0%	-7.7%	-4.8%	-24.5%

Dist Volume is the Total Piece Handling (TPH) associated with the Flat Dist Hours. Mail Prep Volume is the Non-Add TPH associated with mail preparation operations. As noted above, these volumes are not tied to actual flat mail pieces at a one-to-one ratio, but instead represent workload handling units that are associated with the respective work hours for the purpose of determining an operational line item productivity.

Type	FY06	FY 07	FY08	FY09	FY 09 SPLY	July YTD FY10
Dist Volume	35,797,660,959	35,076,189,564	32,187,187,414	27,821,074,126	23,420,402,556	20,128,357,756
Mail Prep Vol	18,423,978,478	25,498,667,741	24,510,237,517	26,448,958,186	22,273,023,215	18,939,474,001
Volume	54,221,639,437	60,574,857,305	56,697,424,931	54,270,032,312	45,693,425,771	39,067,831,757

Volume Comparison					
Type	FY10 YTD vs FY09 SPLY TD	FY09 vs FY 08	FY08 vs FY 07	FY07 vs FY 06	FY 09 vs FY 06
Flat Dist Vol	-14.1%	-13.6%	-8.2%	-2.0%	-22.3%
Flat Prep Vol	-15.0%	7.9%	-3.9%	38.4%	43.6%
Total Flat Vol	-14.5%	-4.3%	-6.4%	11.7%	0.1%

The associated productivities presented in the tables are computed by dividing the total volume for the operational line item by the respective operational line item work hours. The resulting productivities (below) are used as a measurement of performance achievement to target expectations.

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	FY06	FY 07	FY08	FY09	FY 09 SPLY TD	July YTD FY10
Dist Prod	1,345	1,587	1,665	1,714	1,704	1,771
Prep Prod	1,803	1,975	2,025	2,395	2,397	2,267
Total Flats Prod	1,472	1,730	1,803	1,990	1,984	1,981

Productivity Comparison					
	FY10 YTD vs FY09 SPLY TD	FY09 vs FY 08	FY08 vs FY 07	FY07 vs FY 06	FY 09 vs FY 06
Dist Prod	3.9%	3.0%	4.9%	18.0%	27.4%
Prep Prod	-5.4%	18.3%	2.5%	9.6%	32.9%
Total Flats Prod	-0.1%	10.3%	4.2%	17.5%	35.2%