

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

TRANSFERRING COMMERCIAL STANDARD MAIL
PARCELS TO THE COMPETITIVE PRODUCT LIST

Docket No. MC2010-36

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 2
(October 6, 2010)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 2, dated September 29, 2010. Answers were sought no later than today. Each question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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Question 1

For the following categories of mail, please estimate the percentage of mail that is delivered to a mailbox:

- a. Fulfillment parcels;
- b. Parcel Select parcels;
- c. Parcels between 1 and 5 pounds;
- d. and Parcels over 5 pounds.

RESPONSE:

The response to this question is based on the interpretation that a mail piece “that is delivered to a mailbox” is one that fits into the mail receptacle. The Postal Service does not keep track of this information for all delivered mail. However, on city letter routes, because the need to make a deviation access is a driver of letter-route street time costs, the City Carrier Cost System (CCCS) records whether a parcel-shaped piece requires a deviation in order to be delivered. If so, the piece is called a “deviation parcel.” Other parcels are considered “regular parcels.” For the most part, parcels that require a deviation do not fit in the mail receptacle. However, not all addresses have mail receptacles; a business where the carrier delivers mail over a counter is an example of an address without a receptacle. In those instances where there is no mail receptacle, size does not determine whether or not a parcel is a deviation parcel, and if the parcel-shaped piece does not require an additional trip to the vehicle or a different park point, then it is considered a regular parcel regardless of its size. The response to this question assumes that all “regular parcels” fit in their respective mailboxes.

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- (a) There is not a simple crosswalk from the current Standard Mail Parcels/NFM product to the proposed split into Fulfillment Parcels and Marketing Parcels, so a complete answer on Fulfillment Parcels cannot be provided. Also, the Postal Service does not have the requested information about current products across the entire delivery network. However, a rough estimate can be calculated based on current CCCS data and an adjustment factor (61 percent) that estimates the proportion of current NFMs that would become Fulfillment parcels under the proposed classification.¹ The following table shows the calculations used to derive this ballpark figure of the number of Fulfillment Parcels that will fit in the mailbox.

Mailbox Volume and Percentage for Standard Parcels, NFMs, and Fulfillment Parcels based on FY09 CCCS Data and Adjustment Factor

FY09 CCCS	Mailbox Volume (000)	Total Volume (000)	Mailbox Percentage
Product	(1)	(2)	(3)=(1)/(2)
Standard Parcels (R1)	281,928	338,566	83%
Not Flat Machinables (NFMs) (R2)	51,883	57,389	90%
NFM – Adjustment Factor = 61%¹ (R3)			
Fulfillment Parcels –R5=R1+(R2*R3)	313,577	373,574	84%

The conclusion that eighty-four percent of Fulfillment Parcels would likely fit in the mailbox should be treated cautiously, as it ignores significant portions of the delivery network (rural delivery and highway contract routes), and uses a figure based on a sample of large NFM mailers to determine the proportion of NFMs that would become Fulfillment Parcels.

- (b) From FY09 CCCS and under the assumptions outlined earlier, approximately

¹ Source: Standard Mail workpapers filed with Docket No. R2010-4.

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twenty-eight percent of Parcel Select pieces fit into their respective mailbox.

- (c) The Postal Service does not have data to provide an estimate for this category.
- (d) The Postal Service does not have data to provide an estimate for this category.

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Question 2

Please provide the unit delivery cost for parcels that are delivered to a mailbox and for parcels that are not delivered to a mailbox. Please provide supporting calculations.

RESPONSE:

The Postal Service does not calculate unit delivery costs for parcels as a group; it does derive unit delivery costs for a set of product and shape definitions. Those costs are calculated as part of the Annual Compliance Determination (ACD) in PRC-ACR2009-LR8-2009 Mail Processing and Delivery Cost. Thus, although the Postal Service does not have the data to provide a complete answer, the delivery model referenced from the ACD has some costs which may be helpful regarding the issues raised in the question.

The response to this question is based on the interpretation that a parcel that does not fit in the mailbox is one which requires the carrier to perform additional activities (i.e. different park point, get out of vehicle, etc) to deliver the parcel. The Postal Service has detailed delivery costs by product on both city and rural routes. However, the cost implications for a parcel-shaped piece that requires additional time to deliver are quantified only for street activities on city letter routes. The In-Office Cost System (cost segment 6) does not distinguish whether a parcel tally will eventually be placed into a mail receptacle, and rural carriers (segment 10) are compensated the same amount on a unit basis for all pieces in the Parcel compensation category. This means that in-office city carrier costs and rural costs will be the same whether the parcel fits in the mailbox or not. On city letter routes, however, parcels that require additional effort to deliver are identified as "deviation parcels" (ones that fit in the

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mailbox are deemed “regular parcels”) and they cause additional cost. But the level of deviation parcels in this part of the delivery network can only be considered a reasonable approximation of the amount of parcels that do not fit in the mailbox, as some addresses do not have a mail receptacle. This response assumes that parcels that do not fit in the mailbox are the same as currently-defined deviation parcels, and that parcels that do fit in the mailbox are the same as currently-defined regular parcels.

The objective of the question seems to be to quantify the cost implications of a parcel that requires additional time to deliver. As was stated earlier, the Postal Service does not compute unit delivery costs for shapes as a group; however, the delivery model PRC-ACR2009-LR8 does derive a city street letter route delivery cost per city letter route delivered piece, not including support or piggyback costs for regular and deviation parcels. These are displayed in the table below. For the purpose of addressing the issues raised in this question, this unit cost per delivered piece (as opposed to the delivery cost per originating piece) is more meaningful because it overcomes the difficulty in comparing the delivery costs for two products where one product has a higher percentage of pieces delivered than the other.

When considering the cost per respective delivered piece, all parcels of a particular type (“regular” and “deviation”) will receive the same unit delivery cost, so the difference between the two costs can be explained solely by the additional time required to deliver a deviation parcel as compared to a regular parcel. If support costs and piggybacks are included, then the gap between the two types of parcels would become greater, but those costs are also influenced by the share of the product’s volume delivered on city routes, so for this comparison it is better to not include them. The table

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below also includes rural delivery costs, excluding piggybacks, per rural delivered piece. Rural costs make no distinction between office and street activities and there are no support costs. They are included here just for comparative purposes and to illustrate the point that rural carriers are compensated the same amount for all pieces that fall into the Parcel compensation category regardless of whether they fit into the mailbox.

**City Street Letter Route and Rural Unit Delivery Costs per
Delivered Piece Excluding Support and Piggyback Costs**

FY09	City Street Letter Route Street Activities Cents¹	Rural Carrier Costs Cents²
Regular Parcels	13.87	29.54
Deviation Parcels	38.06	29.54

¹ Source: PRC-ACR2009-LR8-2009 Mail Processing and Delivery Costs, Worksheet UDCInputs09, Tab 'CS7Shape', Cells G56 and H56.

² Source: PRC-ACR2009-LR8-2009 Mail Processing and Delivery Costs, Worksheet UDCModel09, Tab '6 Rural Cost', Cell E12.