

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

Modification of Analytical Principles  
in Periodic Reporting  
(Proposals Nine through Twelve)

Docket No. RM2011-5

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued February 16, 2011)

To clarify the basis of Proposal Nine, the Postal Service is requested to provide a written response to the following questions. Answers should be provided on or before February 23, 2011.

These questions, and the Postal Service's responses, are intended to memorialize the substance of informal discussions between the Commission and the Postal Service's technical staff.

1. At pages 2-3 of the material supporting Proposal Nine, the Postal Service argues that the 2008 automation letter density table is potentially biased because it shows a "substantial percentage" of outgoing letters being sorted to the 5-digit level. It reasons that very few of the outgoing letters sorted to that level could be presorted First-Class because "only one overflow mixed AADA tray is permitted for non-automation machinable and automation mailings. In other words, the amount of First-Class presort letters finalized to the 5-digit level in outgoing operations should be minimal."
  - a. Primarily, what cost relationship does the Postal Service believe is likely to be estimated with less bias if the assumption is made that no outgoing presorted First-Class Mail is sorted to the 5-digit level?

- b. Why are outgoing letters sorted to the 5-digit level assumed to be either single-piece First-Class Mail or overflow presort First-Class Mail?
  - c. Is it possible that residual presort First-Class Mail could be a small part of presort First-Class overall, but still be a significant component of outgoing letters sorted to 5-digits?
  - d. Why was the FY 2008 density study unable to identify the percent of outgoing single-piece First-Class letters and presorted First-Class letters that were sorted to the 5-digit level, but was able to identify the percent of presort Standard letters sorted to the 5-digit level in outgoing primary and secondary operations?
  - e. How likely is outgoing “turn-around” mail, *i.e.*, outgoing mail destined for local ZIP Codes, likely to be sorted to the 5-digit level?
  - f. How likely is outgoing “turn-around” mail to be single-piece First-Class Mail?
  - g. Please provide any Origin-Destination Information Systems (ODIS) data that would help answer questions 1.e. and 1.f.
  - h. Does the rationale for assuming that single-piece First-Class heavily influences web end-of-run estimates of the percentage of outgoing letter mail volume that is sorted to 5-digits apply to: (i) outgoing letter mail sorted to other levels; and (ii) incoming letter mail sorts?
2. With respect to the manual density table, the explanation of the proposed updates at page 3 of Proposal Nine supporting material implies that none of the 40 plants sampled in the 2008 study of manual densities was able to provide data in September 2010.

- a. Did the 2008 study provide the data underlying the manual density table or the automation density table?
- b. Please describe the source and nature of the data used in the 2008 study, and the procedure followed in sampling the 40 plants.
- c. Why were the 40 plants in the original sample unable to provide data in 2010?
- d. With respect to the manual outgoing primary [030 MODS] operations, please describe the nature of the data collected in 2010 and the procedure followed in collecting the data. Please provide the statistical properties of the data.
- e. Why were only 10 of 51 plants able to provide data on the manual outgoing primary? What statistical properties did the data collected have?
- g. With respect to the manual outgoing secondary [040 MODS] operation, please describe the nature of the data collected in 2010 and the procedure followed in collecting it. What statistical properties did the data collected have?
- h. Why were only two plants able to provide data on the manual outgoing secondary [040 MODS] operation?
- i. With respect to the manual managed mail operation [043 MODS operations], please describe the nature of the data collected and the procedure followed in collecting it. What statistical properties did the data collected have?
- j. Why was only one plant able to provide data on the 043 MODS operation?

- k. The explanation of the proposed changes to the inputs to the manual density table says that due to the lack of special study data to estimate densities for the 040 and the 043 operation, ODIS data were used. Petition, Proposal Nine, at 4.
- (i) Does the ODIS data used relate to manual or automated letter mail?
  - (ii) Please describe the way that special study data were collected and used, and compare it to how the ODIS data are proposed to be used.
  - (iii) At page 4 of the material supporting Proposal Nine, the Postal Service states that “the letter cases in the 040 [MODS] operation are typically structured to distribute mail to the plant level only.” From that premise, it assumes that the next operation would be either an incoming MMP or incoming SCF/primary. Please provide an example of this downflow, and describe the circumstances under which letter cases would not be “typical” in this respect.
  - (iv) In developing manual densities for the outgoing secondary (operation 040) and the incoming MMP (operation 043), the Postal Service assumes that the letter case in which the outgoing secondary is performed is “typically” structured to sort to the plant level and that the letter case in which the incoming MMP is performed is “typically” structured to sort to the 5-digit level for the ADC plant, and to the plant level for other plants that are served by that ADC plant. *Id.* at 4-5. Assumptions are then made as to what operation a letter would undergo next, based on the kind of plant in which the letter is found. The results, it says, are significantly different from the results that relied on actual plant data. *Id.* at 6.

- (A) Please provide an example of this downflow, and describe any circumstances in which the incoming MMP downflow described is not “typical.”
  - (B) Please describe in more detail the differences between the results obtained from actual plant data and the results obtained from the assumed downflows proposed.
  
- 3. The Postal Service says that the ODIS data on which estimates of the percentage of letters delivered to post office boxes was based, are no longer available, but that Carrier Piece Count (CPC) data have become available. The percentage of post office box mail is estimated to be the CPC post office box volume divided by the RPW machine volume. *Id.* at 6-7.
  - a. Why is RPW machine volume (which excludes First-Class non-machinable, Standard High Density, and Standard Saturation letters) used in the denominator when calculating the post office box percentage?
  - b. Please describe the reasons for assuming that using (i) CPC data, or (ii) using RPW machine volume in the denominator would produce a less biased estimate.
  
- 4. According to the Postal Service, manual incoming secondary operations for all shapes are now performed at DDUs, rather than plants, because plant personnel no longer have scheme knowledge. It states that this conclusion is “supported by field observations that have been conducted since Docket No. R2006-1.” Accordingly, the Postal Service proposes to zero out the category manual incoming secondary productivities in plants from the letter model costs sheets. *Id.* at 7.

- a. Are the field observations referenced above obtained from a statistical survey or from anecdotal observations?
  - b. How much manual incoming secondary activity for letter mail in processing plants, if any, is reflected in FY 2010 In-Office Cost System (IOCS) data? Why is there such activity?
  - c. Please describe whether it is the location where the manual incoming Secondary is performed, or by whom it is performed (Function 1 clerks or Function 4 clerks), that influences the productivity of the Manual Incoming Secondary, and why.
5. The Postal Service conducted a field study in 2010 to update Manual Incoming Secondary productivities at DDU's, non-DPS "walling" productivities, and DPS "walling" productivities. ("Walling" is manually sorting mail at the post office box section). *Id.* at 8.
  - a. Please provide a description of how the field study collected and analyzed the productivity data used to estimate the manual incoming secondary, and the referenced "walling" productivities.
  - b. Please provide the rationale for applying an overhead factor to the "raw" productivities.
  - c. Please compare the 2010 study sampling approach, data collection methods, statistical properties of the collected data, and results, with those of the 1999 study that they are intended to replace.
  - d. Please describe any changes that have occurred in the equipment or methods of "walling" in the time between the 1999 and the 2010 studies.

6. In support of the proposal to replace the measured leakage rate with an assumption that the leakage rate is equal to the operations target of 5 percent, the Postal Service states that changes to its data collection systems have made it more difficult to measure the leakage rate. See material supporting Proposal Nine at 10.
  - a. Please describe the changes that have made measuring the leakage rate more difficult and explain how they have made the measurement more difficult.
  - b. Please provide a historical comparison of the measured leakage rate and the operations target.
  - c. Please describe the purpose of setting an operations leakage target, and explain how the Postal Service intends to measure its success in achieving the target.

By the Chairman.

Ruth Y. Goldway