

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

TRANSFERRING COMMERCIAL STANDARD MAIL
PARCELS TO THE COMPETITIVE PRODUCT LIST

Docket No. MC2010-36

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
INITIAL COMMENTS OF THE ASSOCIATION FOR POSTAL COMMERCE
(February 22, 2011)

On February 14, 2011, the Association for Postal Commerce (“PostCom”) submitted initial comments regarding the Postal Service’s request to transfer commercial Standard Mail Parcels to the competitive product list.¹ Initial comments in this docket were due on September 24, 2010, and reply comments were due on October 15, 2010.² Without taking a position on whether the Commission should accept comments that are filed four and a half months late, the Postal Service notes that, if the Commission decides to accept PostCom’s comments, the Postal Service should be permitted to respond.

Specifically, the Postal Service would like to respond to a claim PostCom makes about the reliability of cost data. PostCom states:

There is also a problem with the Postal Service’s cost data relating to these parcels. Among other issues, the relatively small volume of Standard Mail parcels creates sampling error. It is far from clear that Standard Mail parcels fail to recover variable costs.³

¹ Initial Comments of the Association for Postal Commerce, Docket No. MC2010-36 (Feb. 14, 2011) (“PostCom Comments”).

² Order No. 532, Docket No. MC2010-36 (Sept. 7, 2010).

³ PostCom Comments, at 2 to 3.

This claim is demonstrably false.⁴ The coefficient of variation (CV) for the Standard Mail Parcels/NFMs mail processing cost estimate (cost segment 3.1) is less than 3 percent,⁵ and the CVs for the Standard Mail Parcels/NFMs city carrier parcel and deviation parcel delivery cost estimate (cost segment 7) and rural carrier parcel delivery cost estimate (cost segment 10) are less than 1 percent.⁶ Together, these cost segments account for over 80 percent of the total attributable costs for Standard Mail Parcels/NFMs, once dependent (piggybacked) cost segments are included. Therefore, using reasonable assumptions, the CV for the overall Standard Mail Parcels/NFMs cost cannot be significantly larger than 3 percent. This indicates that in Fiscal Year 2010, the cost coverage for Standard Mail Parcels/NFMs, which was estimated to be only 77 percent, was statistically significantly below 100 percent with high confidence.

With regard to the other claims PostCom makes in its comments, the Postal Service believes that it has sufficiently addressed these claims in its Reply Comments and in the other filings it has made in this docket.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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⁴ Further, it is unclear why PostCom deems the claim to be relevant. The transfer application does not turn on whether the product currently covers its costs.

⁵ IOCS_PRC_CV_Summary_FY10_public.xls in USPS-FY10-37 – In-Office Cost System (IOCS) Statistical and Computer Documentation, Docket No. ACR2010 (Dec. 29, 2010).

⁶ CCCS_CVs_FY10_Public_Final.xls in USPS-FY10-34 – City Carrier Cost System (CCCS) Statistical and Computer Documentation, Docket No. ACR2010 (Dec. 29, 2010); RCCS_CVs_FY10_Public_FINAL.xls in USPS-FY10-35 – Rural Carrier Cost System (RCCS) Statistical and Computer Documentation, Docket No. ACR2010 (Dec. 29, 2010).

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