

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

MODIFICATION OF ANALYTIC PRINCIPLES IN
PERIODIC REPORTING (PROPOSALS NINE
THROUGH TWELVE)

Docket No. RM2011-5

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-2 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(March 7, 2011)

The Postal Service hereby files its responses to questions 1-2 of Chairman's Information Request No. 3, issued on March 1, 2011. Each question is stated verbatim (although the preface material has been incorporated into Question 1), and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 7, 2011

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

1. In Docket No. R2006-1, the Commission states:

The Commission finds the Postal Service's assumption that the cost of non-modeled operations are not affected by worksharing to be insufficiently supported. The majority of the costs that MMA and Pitney Bowes claim are inappropriately treated as fixed are in mail processing activities that support other mail processing activities, including piece sortation. It is reasonable to assume that these supporting costs are at least indirectly affected by worksharing.

In the letter mail processing cost model, the Commission assigns the letter sorting cost pools as proportional, consistent with the Postal Service and intervenors. The pools that witness Buc assigns as fixed are assigned as either worksharing-related fixed or non-worksharing related, as appropriate. The remaining costs, which are largely allied and support costs, are distributed to the three groups in the same proportions as the directly assigned pools. The allied and support pools support all mail processing operations, and so it is reasonable to assume that they are affected by worksharing to the same extent as the proportional and fixed operations they support.

PRC Op. R2006-1, ¶¶ 5160 and 5161 (internal citations omitted).

Recently, in Docket No. RM2010-12 the Commission states:

The unit cost data indicate that the costs for parcels sorted in letter and flat operations are relatively low when compared with other operations, which is consistent with the assumption that they occur infrequently. Therefore, the Commission concludes that it is more reasonable to piggyback non-modeled costs consistently in letter, flat, and parcel cost models.

Order No. 658 at 14.

Is the Postal Service aware of any reason why the principles applied to the cost avoidance model for letter mail and Standard Mail parcels referenced above should not also apply to the mail processing cost avoidance model for Media Mail and Library Mail? If so, please explain.

RESPONSE:

Please see the Postal Service's responses to Chairman's Information Request No. 2, Proposal Seven, Questions One and Two, in Docket No. RM2010-12, which were filed on December 22, 2010. In addition, please see the cost pool section (p. 11-23) of

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the Initial Comments of the United States Postal Service in Docket No. RM2010-13,
which were filed on February 18, 2011.

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2. The table below is intended to illustrate how the principles articulated in the text quoted above [in Question 1] could be applied to the cost pools that are relevant to the Media Mail and Library Mail cost model. Is there any specific aspect of the application of those principles illustrated below that the Postal Service considers inconsistent with the principles in the quoted text? If so, please identify each and explain why the Postal Service considers it to be inconsistent.

| Cost Pool No. | Source | Cost Pool Abbreviation | Current | | R2006-1 Rational Applied | | Cost Pool No. | Source | Cost Pool Abbreviation | Current | | R2006-1 Rational Applied | |
|---------------|---------|------------------------|--------------|-------|--------------------------|-------|---------------|---------|------------------------|--------------|-------|--------------------------|-------|
| | | | Proportional | Fixed | Proportional | Fixed | | | | Proportional | Fixed | Proportional | Fixed |
| | | | Costs | Costs | Costs | Costs | | | | Costs | Costs | Costs | Costs |
| 1 | MODS 11 | D/BCS | | X | X | X | 32 | MODS 18 | REWRAP | | X | X | X |
| 2 | MODS 11 | OCR/ | | X | X | X | 33 | MODS 18 | 1EEQMT | | X | X | X |
| 3 | MODS 12 | AFSM100 | | X | X | X | 34 | MODS 18 | 1MISC | | X | X | X |
| 4 | MODS 12 | FSS | | X | X | X | 35 | MODS 18 | 1SUPPORT | | X | X | X |
| 5 | MODS 12 | FSM/1000 | | X | X | X | 36 | MODS 19 | INTL ISC | | X | X | X |
| 6 | MODS 13 | MECPARC | X | | X | | 37 | MODS 41 | LD41 | | X | X | X |
| 7 | MODS 13 | SPBS OTH | | X | X | | 38 | MODS 42 | LD42 | | X | X | X |
| 8 | MODS 13 | SPBSPRIO | | X | X | | 39 | MODS 43 | LD43 | X | | X | |
| 9 | MODS 13 | 1SACKS_M | X | | X | X | 40 | MODS 44 | LD44 | | X | | X |
| 10 | MODS 13 | 1TRAYSRT | | X | X | X | 41 | MODS 48 | LD48 EXP | | X | | X |
| 11 | MODS 14 | MANF | | X | X | X | 42 | MODS 48 | LD48 OTH | | X | | X |
| 12 | MODS 14 | MANL | | X | X | X | 43 | MODS 48 | LD48_ADM | | X | | X |
| 13 | MODS 14 | MANP | X | | X | | 44 | MODS 48 | LD48_SSV | | X | | X |
| 14 | MODS 14 | PRIORITY | | X | X | X | 45 | MODS 49 | LD49 | | X | | X |
| 15 | MODS 15 | LD15 | | X | X | X | 46 | MODS 79 | LD79 | | X | | X |
| 16 | MODS 17 | 1CANCEL | | X | X | | 47 | NDCS | MANP | X | | X | |
| 17 | MODS 17 | 1DSPATCH | | X | X | X | 48 | NDCS | NMO | X | | X | |
| 18 | MODS 17 | 1FLATPRP | | X | X | X | 49 | NDCS | OTHR | X | | X | |
| 19 | MODS 17 | 1MTRPREP | | X | X | X | 50 | NDCS | PLA | X | | X | |
| 20 | MODS 17 | 1OPBULK | | X | X | X | 51 | NDCS | PSM | X | | X | |
| 21 | MODS 17 | 1OPPREF | | X | X | X | 52 | NDCS | SPB | X | | X | |
| 22 | MODS 17 | 1OPTRANS | | X | X | X | 53 | NDCS | SSM | X | | X | |
| 23 | MODS 17 | 1PLATFRM | X | | X | X | 54 | NDCS | TRAYSORT | X | | X | |
| 24 | MODS 17 | 1POUCHNG | X | | X | X | 55 | NONMODS | ALLIED | X | | X | |
| 25 | MODS 17 | 1PRESORT | | X | X | X | 56 | NONMODS | AUTO/MECH | | X | | X |
| 26 | MODS 17 | 1SACKS_H | X | | X | X | 57 | NONMODS | EXPRESS | | X | | X |
| 27 | MODS 17 | 1SCAN | | X | X | X | 58 | NONMODS | MANF | | X | | X |
| 28 | MODS 18 | BUSREPLY | | X | X | X | 59 | NONMODS | MANL | | X | | X |
| 29 | MODS 18 | EXPRESS | | X | X | X | 60 | NONMODS | MANP | X | | X | |
| 30 | MODS 18 | MAILGRAM | | X | X | X | 61 | NONMODS | MISC | | X | | X |
| 31 | MODS 18 | REGISTRY | | X | X | X | 62 | NONMODS | REGISTRY | | X | | X |

RESPONSE:

Please see the response to Question 1 of this Information Request.

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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