Accepted 11/1/2011

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

PERIODIC REPORTING (PROPOSALS NINE THROUGH FIFTEEN)	Docket No. RM2012-1

PETITION OF THE UNITED STATES POSTAL SERVICE REQUESTING INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES IN ANALYTICAL PRINCIPLES (Proposals Nine - Fifteen)
(November 1, 2011)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a proceeding to consider seven proposals to change analytical principles relating to the Postal Service's periodic reports. The proposals, labeled Proposals Nine through Fifteen, are discussed in the attached text.[1] The Postal Service requests that the Commission initiate a rulemaking proceeding pursuant to 39 C.F.R. § 3050.11 to consider these proposals.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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[1] Proposal One for this year was filed on April 6, 2011. Order No. 713 (Apr. 8, 2011), Docket No. RM2011-9. Proposal Two was filed on May 10, 2011. Order No. 727 (May 12, 2011), Docket No. RM2011-10. Proposal Three was filed on May 18, 2011. Order No. 736 (May 23, 2011), Docket No. RM2011-11. Proposals Four through Eight were filed on August 8, 2011. Order No. 810 (Aug. 17, 2011), Docket No. RM2011-12.

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Proposal Nine

CHANGE IN METHOD FOR INBOUND RPW REPORTING

OBJECTIVE:

The purpose of this proposal is to improve, for the ICRA, the method for distributing the cost segment 14 (domestic transportation) costs of Foreign Origin mail to countries and country groups. Specifically, this proposal seeks to substitute a weight-based method for the current piece-based method.

BACKGROUND:

Prior to the passage of the Postal Accountability and Enhancement Act of 2006, and the subsequent classification of Postal Service product offerings into Market Dominant and Competitive categories, the ICRA did not separate international inbound mail statistics by country group. Costing by class of mail was the only reported dimension for inbound products.

For FY 2008, the ICRA began reporting inbound mail statistics separately by country or country group. At that time, the method for distributing domestic transportation costs for inbound mail should have been shifted from the piece-based method to a weight-based method, to align with the weight-based method for distributing domestic transportation costs for U.S. Origin international mail (which has always been reported in the ICRA by country or country group), and because weight per piece varies significantly across countries and country groups.

RATIONALE:

Given the requirement that inbound mail statistics be reported by country or country group, this proposal represents an improvement over the prior approach. As noted above, weight per piece varies significantly across countries and country groups.

IMPACT:

The worksheets contained in “Proposal9.xls,” filed under seal, show the impact that the proposed change would have had in FY 2010. The results for products are not affected. The impact is most significant for inbound mail from Canada, because, on average, this mail weighs significantly less per piece than inbound mail from the rest of the world, and recent trends show a widening gap.

MECHANICS:

The change occurs in the “Reports.xls” ICRA Database sheet. Instead of referencing the per piece costs developed on the CRA Staging sheet, the new calculation looks them up directly from the CS14 staging sheet, analogous to the procedure used for domestic transportation of U.S. Origin mail. The new formula for inbound (“in”) mail at cell u2012 of the ICRA Database sheet is: =HLOOKUP(U$1&"in",CS14_Table,2,0)*U847, with U847 referencing gross weight, with a special formula for inbound SCP to reference the specific identified costs for Canada.

This replaces the former formula: =VLOOKUP(U$1&"_"&$L2012,ForOr_Unit_Costs,5,0)*U1080, with U1080 referencing pieces for the appropriate product and country group (Canada vs. ROW – note the per piece staging was generalized to include individual costs for Canada where available,

so special treatment for SCP was not needed there. Note: the reference to cell L2012 identified Canada vs. Row).

Proposal Ten

CHANGE IN THE IN-OFFICE COST SYSTEM FOR PARCEL SELECT PIECES THAT ARE UNDELIVERABLE AS ADDRESSED

OBJECTIVE:

The purpose of this proposal is to change the way that the costs of Parcel Select pieces that are undeliverable as addressed (UAA) are attributed, thus improving the accuracy of Parcel Select attributed costs.

BACKGROUND:

For most of FY2011, the Postal Service charged Parcel Post prices for UAA Parcel Select. The IOCS tallies relating to these pieces are designated as Parcel Post. Beginning June 24, 2011, these pieces are charged the equivalent of the Parcel Select non-presort price plus an additional $3.00 fee, and the revenue is ascribed to Parcel Select. In IOCS, therefore, these UAA Parcel Select pieces should be likewise assigned to Parcel Select.

PROPOSAL:

We propose that IOCS designate costs for UAA Parcel Select to Parcel Select.

IMPACT:

The impact on FY10 IOCS dollar-weighted tallies is shown in the table below.

	Changes in IOCS dollar-weight tallies due to change in treatment of UAA Parcel Select
Parcel Post	-5%
Parcel Select	9%

Proposal Eleven

CHANGE FOR DELIVERY COST SAVINGS FOR NEGOTIATED SERVICE AGREEMENT (NSA) EXPRESS MAIL

OBJECTIVE:

This proposal changes the method for the calculating the delivery cost savings of Express Mail from Negotiated Service Agreements (NSAs).

BACKGROUND:

The Postal Service has begun to implement changes regarding signatures for Express Mail. Simultaneously, new data on delivered Express Mail is now available from the Carrier Cost Systems (CCS). These developments earlier led to Proposal Eight: New Treatment of Express Mail as Accountable Mail on City Carrier Letter Routes, recently approved by the Commission in Order No. 920. This necessitates corresponding updates to the method for calculating delivery cost savings for Express Mail from NSAs. The proposal also provides an opportunity to replace a proxy with actual data from a data system.

PROPOSAL:

The Postal Service proposes three major revisions to the workbook "Express Mail Delivery Savings Update FY 2010.xls" filed in USPS-FY10-NP27. The first is to make the costing method consistent with that proposed in Proposal Eight. The second is to replace a former proxy with data specific to Express Mail now available from the CCS data system. The third is to remove the assumption that carriers seek to obtain

signatures on 10 percent of pieces that have signature waivers. The revised version of the workbook is being filed under seal.

The workbook “SupportExpress_FY10.xls” has been revised to also incorporate the cost savings now calculated for deviation parcels in addition to the former flats and small parcels. The revised version of this workbook is also being filed under seal.

IMPACT:

The impact of the proposal is shown in “Proposal11Impact.xls,” filed under seal.

Proposal Twelve

MODIFICATION OF THE STANDARD MAIL PRESORT LETTERS MAIL PROCESSING COST MODEL

OBJECTIVE:

The purpose of this proposal is to modify the Standard Mail presort letters mail processing cost model in accordance with the Commission's directive in the 2010 Annual Compliance Determination (ACD) to disaggregate the cost estimates for nonautomation machinable MAADC and AADC presort Standard Mail letters.

BACKGROUND:

The price schedule currently contains two Standard Mail nonautomation machinable presort letters price categories: MAADC presort letters and AADC presort letters. The Standard Mail presort letters mail processing cost model, however, has historically included only an aggregate cost estimate for these two price categories. In its 2010 ACD, the Commission stated that these discounts may have exceeded their avoided cost estimates and directed the Postal Service to "develop the necessary cost data to permit a meaningful analysis" of these discounts.[2]

RATIONALE:

The Standard Mail presort letters mail processing cost model that was filed by the Postal Service in Docket No. RM2011-5, Proposal 9 and approved by the Commission in Order No. 741 serves as the starting point for this analysis. That model contains one mail flow spreadsheet and one cost spreadsheet that are supposed to

[2] FY 2010 Annual Compliance Determination, at page 110.

represent the aggregate mail flow and costs for the two nonautomation machinable presort letters price categories combined.

The mail flow spreadsheet indicates that the first operation for both MAADC presort and AADC presort letters is the outgoing input sub system (ISS) operation. MAADC letters are not presorted to any degree. Consequently, the outgoing ISS operation would be the first operation through which MAADC presort letters are processed. AADC presort letters, however, are presorted to the destinating AADC. Consequently, the first operation through which AADC presort letters are processed should be the incoming ISS operation, rather than the outgoing ISS operation.

The tab names and titles for the spreadsheets currently in the model have therefore been modified to indicate that the existing spreadsheets are specific to MAADC presort letters only (MACH MAADC MODEL and MACH MAADC cost). An additional mail flow spreadsheet, in which the first operation through which the mail is processed is the incoming ISS operation, and associated cost spreadsheet have been added to the model. The tab name and titles for these latter two spreadsheets indicate that they are specific to AADC presort letters only (MACH AADC MODEL and MACH AADC COST). The affected spreadsheet tabs have been highlighted in yellow.

The model cost estimates from the cost spreadsheets have been linked to the 'Presort Letters Sum' tab on page 2 of the model. In addition, the cost summary page (page 1) has been modified to show all the price categories as they currently exist in the price schedule. The affected line tabs and line items have also been highlighted in yellow.

Finally, the “MODS” tab has also been removed from the workbook. MODS data were once used to develop aggregate volume variability and piggyback factors by operation based on the percentage of mail that was processed in a given operation on mail processing bar code sorters (MPBCS) and delivery bar code sorters (DBCS). The MPBCS machines have now been retired. The MODS data now serve no purpose in the cost model. The MODS tab has therefore been removed and the formulas that were linked to that data in other spreadsheets within the model have been adjusted accordingly. This modification has no impact on the cost estimates.

The page numbers and source documentation have been modified to reflect that two additional spreadsheets have been added to the model (a mail flow spreadsheet and cost spreadsheet for nonautomation machinable AADC presort letters) and one spreadsheet has been removed from the model (the MODS spreadsheet). A 2010 version of the revised model can be found in “Proposal12.xls.”

IMPACT:

It is difficult to measure the impact that this modification would have on the price category cost estimates when compared to the estimates that were contained in cost models filed in past dockets. For example, the Commission’s version of the Standard Mail presort letters mail processing cost model that was filed in Docket No. ACR2010, PRC-ACR2010-LR4 on March 29, 2011 relied on some Docket No. RM2011-5, Proposal Nine data (e.g., leakage target and productivity values) that the Commission subsequently rejected in Order No. 741 on June 3, 2011. In addition, the Commission’s version of the model that was filed in RM2011-5-LR3 on June 3, 2011, along with Order No. 741, contained a mixture of 2009 and 2010 input data. Thus, there is not on record

a FY 2010 Standard Mail presort letters model that contains only FY 2010 data and does not include the elements from Proposal Nine subsequently rejected by the Commission.

As an alternative, the impact of this modification is summarized in Table 1 below. Column A shows the price category costs that are estimated as a result of the modification outlined in this proposal, using a FY2010 model without the Proposal Nine elements rejected in Order 741. Column B shows the costs that would have been estimated if this modification would not have been made. In order to derive the Column B cost estimates, the first operation through which the nonautomation machinable AADC presort letters should be processed in the mail flow spreadsheet (page 15) should be changed back to the outgoing ISS operation. The third column measures the differences between the estimates contained in Column B and Column A.

TABLE1:
MAIL PROCESSING UNIT COST ESTIMATE IMPACT

PRICE CATEGORY	[A] WITH MODIFICATION (CENTS)	[B] WITHOUT MODIFICATION (CENTS)	[B] - [A] DIFFERENCE (CENTS)
Nonautomation Nonmachinable MADC Presort Letters	34.609	34.376	-0.233
Nonautomation Nonmachinable ADC Presort Letters	23.728	23.572	-0.157
Nonautomation Nonmachinable 3-Digit Presort Letters	19.732	19.604	-0.129
Nonautomation Nonmachinable 5-Digit Presort Letters	9.523	9.466	-0.057
Nonautomation Machinable MAADC Presort Letters	8.374	8.325	-0.049
Nonautomation Machinable AADC Presort Letters	7.424	8.325	0.900
Automation MAADC Presort Letters	7.557	7.514	-0.043
Automation AADC Presort Letters	6.142	6.109	-0.033
Automation 3-Digit Presort Letters	5.920	5.888	-0.032
Automation 5-Digit Presort Letters	4.118	4.099	-0.019

Proposal Thirteen

DEVELOPMENT OF A NEW MAIL PROCESSING COST MODEL FOR MEDIA MAIL / LIBRARY MAIL

OBJECTIVE:

The purpose of this proposal is to develop a new mail processing cost model for Media Mail and Library Mail.

BACKGROUND:

In Docket No. RM2010-12, the Postal Service presented a new Standard Mail Parcel / Not-Flat Machinable (NFM) mail processing cost model that was developed using data that were collected during the summer of 2009. This new model was filed as Proposal Seven. In Order No. 658, the Commission conditionally approved the Proposal Seven cost model and required that the analysis be performed using the Commission's Docket No. R2006-1 cost pool classification methodology.

In Docket No. RM2011-6, the Postal Service presented a new Parcel Select / Parcel Return Service (PRS) mail processing cost model that was developed using the same cost methodology and data presented in Docket No. RM2010-12, Proposal Seven. This new model was filed as Proposal Thirteen. In Order No. 719, the Commission conditionally approved the Proposal Thirteen cost model and required that the analysis be performed using the Commission's R2006-1 cost pool classification methodology.

In Docket No. RM2011-5, the Postal Service proposed that a slight modification be made to the Media Mail – Library Mail mail processing cost model. That model had historically relied on a Parcel Post single-piece Intra-NDC volume percentage. Given

that the Parcel Post Intra-NDC and Inter-NDC price categories had been merged into one single-piece price category, these data could no longer be obtained directly from Postal data collection systems. The Postal Service therefore proposed that the single-piece volume percentage for zones 1, 2, and 3 should be used as a proxy for the Intra-NDC volume percentage. This revised model was filed as Proposal Twelve. In Order No. 724, the Commission conditionally approved the Proposal Twelve cost model and required that the analysis be performed using the Commission's Docket No. R2006-1 cost pool classification methodology.

RATIONALE:

The Postal Service has developed a new Media Mail – Library Mail mail processing cost model that relies on the format and new input data presented in last year's Proposal Seven and Proposal Thirteen. In addition, this model incorporates the methodological changes approved in last year's Proposal Twelve, including the use of the Commission's Docket No. R2006-1 cost pool classification methodology.

The "Summary" spreadsheet (page 1) in "Proposal13.xls" depicts the CRA-adjusted mail processing unit cost estimates using the Proposal Twelve methodology.

The "Cost Pool Data" spreadsheet (page 2) in "Proposal13.xls" contains the cost by shape (by cost pool) estimate for Media Mail – Library Mail and relies on the Commission's Proposal Twelve cost pool classification methodology. In addition, the volume variability factors and piggyback factors, which are also available by cost pool, have been incorporated into this spreadsheet.

The “Volumes” spreadsheet (page 3) in “Proposal13.xls” distributes the total Media Mail – Library Mail volume to the cost modeling categories using the Proposal Twelve methodology.

The “Productivity Data” spreadsheet (page 4) in “Proposal13.xls” contains the same marginal productivity calculations that can be found in both Proposal Seven and Proposal Thirteen from last year.

The “Wage Data” spreadsheet (page 5) in “Proposal13.xls” contains the adjusted wage rate calculation that is performed by multiplying the premium pay factor for Media Mail – Library Mail by the “other mail processing” wage rate. This same methodology is used in all the parcel mail processing cost models.

The “Mailer Arrival Profile” spreadsheet (page 6) in “Proposal13.xls” relies on last year’s Proposal Twelve data with some modifications. As was discussed in last year’s Proposal Thirteen, there is now virtually no mailer or postal bedloaded mail. The proposed model therefore relies on the assumption that the volume of bedloaded sacks (from last year’s Proposal Twelve model) are entered as sacks in rolling stock. It is also assumed that the volume of bedloaded pieces are entered as loose pieces in rolling stock. In addition, PostalOne! mailing statement data are used to estimate the percentage of non-dropship mail entered at the various types of facilities (delivery units, plants, and network distribution centers). The use of PostalOne! data is consistent with the methodologies relied upon in last year’s Proposal Seven and Proposal Thirteen.

The “Postal Arrival-Dispatch Profile” spreadsheet (page 7) in “Proposal13.xls” contains the same data that can be found in last year’s Proposal Seven and Proposal Thirteen.

The “Other Data” spreadsheet (page 8) in “Proposal13.xls” contains the same miscellaneous data that are used to estimate costs and flow mail volumes through the Proposal Seven and Proposal Thirteen cost models.

The “Conversion Factors” spreadsheet (page 9) in “Proposal13.xls” contains the pieces per container estimates for machinable, NMO, and flat-IPP mail pieces. For machinable and flat-IPP (non-basic presort) mail pieces, the estimates are calculated using the average cubic feet per piece for Media Mail – Library Mail mail pieces. The NMO pieces per container estimates are calculated by multiplying the machinable pieces per container estimates by the following ratio:

$$\frac{\text{Average Media Mail – Library Mail Weight Per Piece}}{\text{Average Media Mail – Library Mail NMO (> 20 Lbs) Weight Per Piece}}$$

In essence, the weight differential associated with NMO mail pieces serves as a proxy for cube. For machinable and flat-IPP basic presort mail pieces, the pieces per pallet box or pallet are calculated by dividing the average weight per pallet box or pallet (assumed to be 500 pounds) by the average weight per piece for all Media Mail – Library Mail mail pieces. These assumptions and calculations are consistent with those relied on in last year’s Proposal Twelve. The container interior space estimates, fullness percentages, and space utilization percentages are the same as those relied on in last year’s Proposal Seven and Proposal Thirteen.

The model cost estimates are developed on pages 10 through 22 in “Proposal13.xls” for the same mail categories found in last year’s Proposal Twelve.

The barcode savings estimate has been removed from the cost model as the Postal Service no longer extends a barcode discount to Media Mail and Library Mail. It

should be noted, however, that in the Standard Mail section of its 2010 Annual Compliance Determination (ACD), the Commission stated the following:

> "The Postal Service Standard Mail NFMs/Parcel mail processing cost model does not estimate costs separately for pre-barcoded and non-barcoded pieces. As a result, no reliable 'cost avoidance' is available for the calculation of the passthroughs associated with pre-barcoding Standard Mail NFMs/Parcels. Although the Postal Service provides an estimate of the passthrough based on the savings for Bound Printed Matter Parcels, better costing is necessary to facilitate meaningful analysis of these passthroughs." ACD2010, page 115.

The productivity estimate that reflects the tasks required for a parcel sorting machine (PSM) clerk to key a parcel to the 5-digit level was first presented in Docket No. ACR2008, USPS-FY08-15. This estimate was derived using the methods time measurement (MTM) 4M software. While the USPS-FY08-15 folder contained the Bound Printed Matter mail processing cost model, the productivity estimate was not specific to Bound Printed Matter parcels. This estimate applies to all parcel subclasses.

In past annual compliance report dockets, this productivity value has been relied upon to estimate the barcode savings in the Standard Mail NFM/Parcel mail processing cost model, the Bound Printed Matter mail processing cost model, the Media Mail – Library Mail mail processing cost model, and the Parcel Select / Parcel Return Service mail processing cost model. The barcode savings have been similar in magnitude for all subclasses because all the models have relied on the same methodology. The only

cost input that differs among the models is the premium pay factor, which differs by subclass.

Even though the bar code savings estimate has been removed from the Media Mail – Library Mail mail processing cost model, the productivity value and methodology are sound and should still be used to estimate the barcode savings in the Standard Mail and Parcel Select / Parcel Return Service models.

IMPACT:

The impact that the proposed model has on the cost estimates is summarized in the table below.

MAIL PROCESSING UNIT COST IMPACT

Description	[A] Docket No. RM2011-5 Proposal Twelve	[B] Instant Proposal	[B] - [A] Difference
Single-Piece Price Category	$1.985	$1.971	($0.014)
Basic Presort Price Category	$1.505	$1.667	$0.162
5-Digit Presort Price Category	$1.175	$1.110	($0.065)
Basic Presort Cost Difference	$0.481	$0.304	($0.176)
5-Digit Presort Cost Difference	$0.810	$0.861	$0.051

Proposal Fourteen

CHANGES IN SPECIAL SERVICES COST MODELS

OBJECTIVE:

This proposal seeks to resolve a number of inconsistent cost treatments of window-related activities among the Special Services cost models. These cost models are filed in USPS-FY10-28 or USPS-FY10-NP26 in the Annual Compliance Report.

BACKGROUND AND RATIONALE:

USPS-FY10-28 and USPS-FY10-NP26 document the unit cost estimates for selected domestic Special Services, supplementing the cost information provided in USPS-FY10-1. These cost models and studies were developed over the span of several decades. Some of the costing elements that are commonly incorporated into models now were not available or common practice when the models were first created. For example, the Waiting Time Adjustment Factor and the Miscellaneous Factor for window-related activities, and the Miscellaneous Factor for mail processing-related activities. The Waiting Time Adjustment Factor allocates the time spent waiting for the customer at the front of the line to walk to the counter. The Miscellaneous Factors adjust the transaction costs to allocate clerks' clocking-in and clocking-out time, taking personal breaks, moving equipment, and similar activities.

In order to be more consistent with the current Cost and Revenue Analysis methodology, this proposal seeks to update the following Special Services' cost models by adding the appropriate waiting time adjustment factor and miscellaneous factors:

- Caller Service
- Certificate of Mailing

- Correction of Mailing List
- Signature Confirmation
- Periodicals Applications
- PO Box Key and Lock
- Restricted Delivery
- Zip Coding of Mailing List

The updated cost models for all of the above, except for Signature Confirmation, are contained in "Proposal14Public.zip." The updated cost model for Signature Confirmation is contained in "Proposal14NonPublic.xls," filed under seal.

IMPACT:

If the proposed methodology had been employed in FY10, the unit costs reported in the ACR would have been those shown below:

Services	Original	Proposed
Caller Service		
Window	$25.47	$32.72
Certificate of Mailing		
Form 3817, Original	$0.87	$1.12
Form 3817, Duplicate	$0.69	$0.89
Form 3877, Original	$0.30	$0.39
Form 3606, Original, 1st 1K	$4.18	$5.40
Each additional 1K pieces	$0.41	$0.54
Form 3606, Duplicate	$0.56	$0.72
Correction of Mailing List	$0.388	$0.489
Periodical Application		
Original Entry	$554.69	$593.96
Re-Entry	$85.44	$105.86
Additional Entry	$64.93	$79.38
News Agent	$33.09	$38.27
PO Box Key and Lock		
Key	$4.624	$5.708
Lock	$10.690	$13.784
Restricted Delivery	$2.826	$3.396
Signature Confirmation		
Priority/Parcel Select Manual	-*	**
First Class Manual	$2.0673	$2.1454
Zip Coding of Mailing List	$89.41	$ 112.61

* Confidential information
** A 4.3% increase compared to the original unit cost

An unredacted version of this table is included in "Proposal14Impact.xls," filed under seal.

Proposal Fifteen

OBJECTIVE:

This proposal seeks to correct and improve the cost models related to Return Receipt service, which are filed in USPS-FY10-28 in the Annual Compliance Report.

BACKGROUND:

There are several Return Receipt options available to customers: the traditional Return Receipt (PS Form 3811, the "Green Card"), electronic Return Receipt (eRR), Return Receipt for Merchandise, and Return Receipt After Mailing. The original cost study and models were developed in 1976 (Library Reference B-6), with the cost study for Return Receipt for Merchandise first presented in Docket No. R94-1, and the cost study for electronic Return Receipt first presented in Docket No. R2001-1. The original cost studies were updated in Docket Nos. MC96-3, R2000-1, and R2001-1. The studies are being updated again because some of the steps in the model are no longer performed, and there are also some inadvertent errors in the current models. This proposal will better align the models with current operations, as well as correct errors in the models.

RATIONALE:

Return Receipt (PS Form 3811): When the original cost studies were done in 1976, there were two forms of Return Receipt service: Whom and Date Delivered; and Whom, Where, and Date Delivered. In Docket No. MC96-3, the two forms were merged, so that only one form of the Green Card (Whom, Where, and Date Delivered)

is currently available. Some steps stated in the original model are no longer performed. This proposal seeks to update the steps to reflect current operations.

Except for Return Receipt for Merchandise, Return Receipt is an Ancillary Service that cannot be purchased without another special service (or Express Mail). Specifically, Return Receipt can be purchased with Express Mail, Certified Mail, COD, Insured Mail (for more than $200), or Registered Mail. The majority of Return Receipt is purchased with Certified Mail. In order to measure the transaction time directly associated with Return Receipt, the Cost Studies and Support team visited retail units in California, Colorado, the District of Columbia, Florida, Illinois, Maryland, Nebraska, Pennsylvania, Texas and Virginia. The team collected window acceptance and delivery transaction times for Certified Mail pieces without Return Receipt and Certified Mail pieces with Return Receipt. The time difference between these two transaction types is used to estimate the acceptance and delivery transaction time for Return Receipt. For example, the average window acceptance transaction time for Certified Mail pieces is 1.92 minutes, and the average window acceptance transaction time for Certified Mail pieces with Return Receipt is 2.56 minutes. The difference between 2.56 and 1.92 minutes, 0.64 minute, is used as the estimate of window acceptance transaction time for Return Receipt. Please see Appendix A for details about the cost study.

A mail clerk (normally an accountable cage clerk) reviews the PS Form 3811s brought back to the station by the carriers before putting the Return Receipts into the mail stream. This reviewing time was also collected during the team's visits to the retail units and was incorporated into the model.

When the model was initially created, only piggyback factors were included. In order to be consistent with current Cost and Revenue Analysis methodology, it is proposed that Waiting Time and Miscellaneous (window overhead) factors be added to the window activities cost estimation, and that an overhead factor be added to the delivery activities.

Electronic Return Receipt (eRR): The electronic Return Receipt (eRR) can be purchased at the time of mailing. The sender/customer provides an email address via USPS.com. After delivery of the mail piece, an email containing the delivery date, delivery time, and a digital image of the signature from the mail piece is sent to the sender/customer. It is proposed that Waiting Time and Miscellaneous (window overhead) factors also be added to the window activities cost estimation for eRR.

Printing costs were erroneously included in the original eRR model. It is proposed that the printing costs be removed from the model, given that no hardcopy Return Receipt is sent to the sender/customer.

Return Receipt for Merchandise (PS Form 3804): Return Receipt for Merchandise service is a form of Return Receipt service that provides the sender/customer with a mailing receipt (PS Form 3804) and a Return Receipt (PS Form 3811, the “Green Card”). After delivery of the mail piece, the PS Form 3811 is mailed back to the sender/customer. When the model was first developed, the costs for only one label (PS Form 3804) were included in the model. This proposal seeks to incorporate the Return Receipt (PS Form 3811) material costs into the model. The overall costs of Return Receipt for Merchandise decrease in the revised model because the time to collect the signature is lower than that in the original model.

Return Receipt after Mailing: The sender/customer of items such as Certified Mail may request a delivery record after mailing. It is proposed that the Waiting Time and Miscellaneous (window overhead) factors be added to the window activities cost estimation for Return Receipt after Mailing.

IMPACT:

If the proposed methodology had been employed in FY10, the unit costs reported in the ACR would have been those shown below:

	Return Receipt Unit Cost (Original)	**Return Receipt Unit Cost (Revised)**
PS 3811 (Green Card)	$1.836	**$1.976**
Electronic	$0.509	**$0.584**
Merchandise	$3.630	**$3.560**
After Mailing	$2.737	**$3.528**

APPENDIX A

STUDY SCOPE AND METHODOLOGY

The study effort was directed toward identifying and measuring the costs associated with Return Receipt service. Elements measured in the study include:

- Acceptance Post Offices/Retail Units

  Return Receipt (PS Form 3811) can be purchased with Express Mail, Certified Mail, COD, Insured Mail (for more than $200), or Registered Mail. The majority of Return Receipt is purchased with Certified Mail. In order to measure the transaction time directly associated with Return Receipt, the acceptance time is calculated as the difference between the average transaction times for Certified Mail pieces without Return Receipt and Certified Mail pieces with Return Receipt.

- Delivery Post Offices/Retail Units

  In order to measure the transaction time directly associated with Return Receipt, the delivery time (including collecting addresses and signatures and detaching Return Receipt from the mail piece) is calculated as the difference between the average pick-up times for Certified Mail pieces without Return Receipt and Certified Mail pieces with Return Receipt.

  A clearing clerk (normally an accountable cage clerk) reviews the Return Receipts brought back to the station by the carriers before putting the Return Receipts into the mail stream. This reviewing time by the clearing clerk was also observed.

Study data were obtained from 25 post offices/retail units in 10 states. The data collection took place between March 28th, 2011 and September 29th, 2011.

States	# of Retail Units Visited
California	8
Colorado	1
The District of Columbia	1
Florida	1
Illinois	4
Maryland	2
Nebraska	1
Pennsylvania	1
Texas	3
Virginia	3

The Cost Studies and Support team observed 159 window transactions that involved either Certified Mail alone or Return Receipts with their host pieces. There were 122 window transactions of Return Receipt Acceptance without any services purchased other than the prerequisite service (such as Certified Mail or Express Mail, for example). In other words, these 122 observations contained Return Receipts, the prerequisite service, and their host mail pieces only. Out of the 122 observations, 118 were of Certified Mail pieces with Return Receipt. To measure the acceptance time for Return Receipts accurately, only the transaction times for Certified Mail pieces *with* Return Receipt (118 observations) and Certified Mail pieces *without* Return Receipt (37 additional observations) are used in the acceptance time calculations.

In addition to the window acceptance transactions observed, the team also made 62 window pickup/delivery observations. Thirty-six (36) of these observations were solely for pickup of mail pieces with Return Receipts, of which 33 were of Certified Mail pieces with Return Receipt. To measure the delivery/pick-up time associated with Return Receipts accurately, only the transaction times for Certified Mail pieces *with*

Return Receipt (33 observations) and Certified Mail pieces *without* Return Receipt (26 observations) are used in the calculations. The team did not include in the calculations the observations that involved more than one type of transaction or more than one type of mail.