

# FIRST-CLASS MAIL PRESORT LETTERS AND CARDS AND STANDARD MAIL REGULAR PRESORT LETTERS COST MODELS

## I. PREFACE

### A. Purpose and Content

USPS-FY11-10 documents the First-Class Mail presort letters and cards mail processing unit cost estimates and worksharing-related savings estimates, and the Standard Mail presort letters mail processing unit cost estimates.

### B. Predecessor Documents

Docket No. R2006-1, PRC-LR-12 (First-Class Mail) and PRC-LR-15 (Standard Mail)  
ACR2007, USPS-FY07-10  
ACR2008, USPS-FY08-10  
ACR2009, USPS-FY09-10  
ACR2010, USPS-FY10-10  
Docket No. RM2011-5, Order No. 741  
Docket No. RM2011-12, Order No. 920  
Docket No. RM2012-1, Proposal Twelve  
Docket No. RM2012-2, Proposal Nineteen

### C. Corresponding Non-Public or Public Document

There are no corresponding non-public documents.

### D. Methodology

The First-Class Mail presort letters and cards and Standard Mail presort letters cost models rely on the Docket No. R2006-1 Postal Regulatory Commission (PRC) methodology and also incorporate the modifications described in Docket No. RM2011-5, Proposal Nine. The Proposal Nine modifications include updates to several cost model inputs and a revised bundle sorting cost methodology that were approved by the Commission in Order No. 741. In addition, alternative versions of the First-Class Mail presort letters mail processing cost model and the Standard Mail presort letters mail processing cost model are provided; these versions incorporate the modifications described in Docket No. RM2012-2, Proposal Nineteen and Docket No. RM2012-1, Proposal Twelve, respectively.

The Postal Service proposed the addition of new mail processing cost pools in Docket No. RM2011-12, Proposal Five and Proposal Six. The Commission subsequently approved those proposals in Order No. 920. The USPS-FY11-26 cost by shape estimates therefore contain seven additional cost pools that need to be distributed using the Commission's cost pool classification methodology.

Order No. 920 contains a description of cost pools that are similar to the seven new cost pools. The similar cost pools are shown below:

<u>New Cost Pool</u>	<u>Similar Cost Pool</u>
MODS FSS	AFSM100
NDC FSS	AFSM100
NONMODS BULKACC	LD79
NONMODS BUSREPLY	LD42
NONMODS CFS	LD49
NONMODS D.PO BOX	LD44
NONMODS OTH ACCT	LD48_SSV

The distribution methodology for the similar cost pools has been applied to the new cost pools in all versions of the models that are provided.

In preparing this document, an error was discovered in the First-Class Mail presort letters mail processing cost model. The formula in cell AE50 of the 'Auto 5-digit CSBCS-Man Model' tab (page 16) was found to be incorrect. The formula accessed an accept rate from cell C22 in the 'ACCEPT' tab (page 39), but should have been accessing the accept rate in cell C19 of that same tab. This error has been corrected in both versions of the First-Class Mail presort letters mail processing cost model presented in this document.

## E. Inputs/Outputs

<u>Input Source</u>	<u>Input Description</u>
USPS-FY11-7	Volume variability factors Premium pay factors Wage rates
USPS-FY11-14	Mail Characteristics Data
USPS-FY11-19	Delivery costs by shape
USPS-FY11-23	MODS productivity data
USPS-FY11-24	Piggyback factors
USPS-FY11-25	Operation specific piggyback factors RCR cost data
USPS-FY11-26	Mail processing unit cost by shape estimates
Docket No. RM2011-5, Order No. 741	Automation density tables Manual density tables

	Plant carrier route finalization percentage Bundle sorting methodology Leakage Rate
2011 Carrier Piece Count (CPC) Data	Post office box destination percentage
2011 FAST Data	Incoming secondary percentages
2011 RBCS Data	RCR finalization rate
2011 WebEOR Data	Operation acceptance rates
USPS-FY08-11	OSS Reject Rates
2008 Field Study	Bundle sorting productivity
<b><u>Output Document</u></b>	<b><u>Output Description</u></b>
USPS-FY11-3	Discounts and passthrough values
USPS-FY11-19	Delivery Costs by Shape (DPS percentages)
USPS-FY11-21	QBRM and BRM Costs
USPS-FY11-30	Market Dominant NSA Materials

**II. ORGANIZATION**

USPS-FY11-10 contains four EXCEL workbooks.

The workbook USPS-FY11-10.FCM\_LTRS.xls contains the First-Class Mail presort letters and cards mail processing unit cost estimates and the First-Class Mail Presort letters and cards worksharing-related savings estimates by price category. These estimates are developed using the Order No. 741 methodology.

The workbook USPS-FY11-10.STD\_LTRS.xls contains the Standard Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the Order No. 741 methodology.

The workbook USPS-FY11-10.FCM\_LTRS.PROPOSAL19.xls contains the First-Class Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the Docket No. RM2012-2, Proposal Nineteen methodology.

The workbook USPS-FY11-10.STD\_LTRS.PROPOSAL12.xls contains the Standard Mail presort letters mail processing unit cost estimates by price category. These

estimates are developed using the Docket No. RM2012-1, Proposal Twelve methodology.

**III. Letters and Cards Results**

FIRST CLASS MAIL RATE CATEGORY	Mail Processing	Total
	Total Unit Cost (CENTS)	Mail Processing and Delivery Worksharing Related Unit Cost Savings (CENTS)
<b>Letters</b>		
Nonautomation Presort Letters	9.565	2.641
Automation Mixed AADC Letters	8.581	3.374
Automation AADC Letters	6.708	5.487
Automation 3-Digit Presort Letters	6.349	5.856
Automation 5-Digit Presort Letters	4.074	8.298
<b>Cards:</b>		
Nonautomation Presort Cards	6.262	
Automation MAADC Presort Cards	4.174	1.949
Automation AADC Presort Cards	3.340	2.988
Automation 3-Digit Presort Cards	3.180	3.157
Automation 5-Digit Presort Cards	2.166	4.312
<b>STANDARD MAIL LETTERS</b>		<b>TOTAL MAIL PROCESSING UNIT COST (CENTS)</b>
<b>RATE CATEGORY</b>		
Nonautomation Nonmachinable MADC Presort Letters		27.493
Nonautomation Nonmachinable ADC Presort Letters		19.501
Nonautomation Nonmachinable 3-Digit Presort Letters		16.962
Nonautomation Nonmachinable 5-Digit Presort Letters		9.590
Nonautomation Machinable MAADC Presort Letters		9.128
Nonautomation Machinable AADC Presort Letters		9.128
Automation MAADC Presort Letters		7.377
Automation AADC Presort Letters		5.969
Automation 3.Digit Presort Letters		5.685
Automation 5 Digit Presort Letters		3.948