

BOUND PRINTED MATTER MAIL PROCESSING COST MODEL / MEDIA MAIL - LIBRARY MAIL MAIL PROCESSING COST MODEL

I. PREFACE

A. Purpose and Content

USPS-FY11-15 documents the mail processing and delivery cost estimates for Bound Printed Matter and the mail processing cost estimates for Media Mail - Library Mail.

B. Predecessor Documents

Docket No. R2006-1, USPS-LR-L-103
Docket No. ACR2007, USPS-FY07-15
Docket No. ACR2008, USPS-FY08-15
Docket No. ACR2009, USPS-FY09-15
Docket No. ACR2010, USPS-FY10-15
Docket No. RM2011-5, Order No. 724
Docket No. RM2011-12, Order No. 920

C. Corresponding Non-Public or Public Document

There is no corresponding non-public document to USPS-FY11-15.

D. Methodology

USPS-FY11-15 relies on the Postal Regulatory Commission (PRC) cost methodology from Docket No. R2006-1, and includes the modifications described in USPS-FY08-15. In addition, the Media Mail – Library Mail mail processing cost model incorporates the modifications that were approved by the Commission in Order No. 724. A second version of the Media Mail – Library Mail mail processing cost model is also being presented in this document. This latter model incorporates the modifications presented by the Postal Service in Docket No. RM2012-1, Proposal Thirteen.

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 columns H and I of the “Cost By Shape” tab on page 14 of the model contained in the file ‘USPS-FY11-15.MM-LM’. In addition, the formulas in the “Total Assigned” total cell (G83), proportional cell (H83) and fixed cell (I83) have been modified accordingly.

The distribution methodology for the similar cost pools has been applied to the new cost pools in columns G and H of the “Cost Pool Data” tab on page 2 of the model contained in the file ‘USPS-FY11-15.MM-LM.PROPOSAL13’. In addition, the formulas in the “Total Assigned” total cell (F82), proportional cell (G82) and fixed cell (H82) have been modified accordingly.

E. Input/Output

The Bound Printed Matter cost estimates are calculated using the following inputs:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY11-1	Bound Printed Matter flat and parcel volumes Bound Printed Matter flat and parcel weights
USPS-FY11-2	Delivery Activities costs, CS 7.2
USPS-FY11-4	Billing determinants data
USPS-FY11-7	Volume variability factors Premium pay factors Wage rates
USPS-FY11-22	Bound Printed Matter mail processing costs
USPS-FY11-23	MODS productivity data
USPS-FY11-24	Piggyback factors
USPS-FY11-25	Piggyback factors

USPS-FY11-36	Bound Printed Matter mail piece density
USPS-FY08-15	Parcel Post assumptions 2008 Delivery Unit (DU) Study data MTM-4M Time Estimates
Docket No. R2000-1, USPS-T-26, Attachment Y	ASF volume percentage
Docket No. R2000-1, USPS-T-27, Attachment H	Outgoing cost percentages
Docket No. R2000-1, USPS-LR-I-88	Productivity data
Docket No. R2000-1, USPS-LR-I-90	Productivity data
Docket No. R2000-1, USPS-LR-I-109	Dispatch profile Mail characteristics data
Docket No. R97-1, USPS-LR-H-131	Arrival profile
Docket No. R97-1, USPS-LR-H-132	Productivity data
Docket No. R97-1, USPS-LR-H-133	Container dimension data
Docket No. R84-1, Exhibit USPS-T-14I	Pieces per container data 1982 cubic feet per piece

The Bound Printed Matter cost estimate outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY11-3.

The Media Mail / Library Mail cost estimates are calculated using the following inputs:

<u>Input Source</u>	<u>Input Description</u>
USPS-FY11-1	Media Mail / Library Mail volumes Media Mail / Library Mail weights
USPS-FY11-4	Media Mail / Library Mail billing determinants data
USPS-FY11-7	Volume variability factors

	Premium pay factors Wage rates
USPS-FY11-23	MODS productivity data
USPS-FY11-25	Piggyback factors
USPS-FY11-26	Media Mail / Library Mail mail processing unit cost estimate by cost pool
USPS-FY11-36	Media Mail / Library Mail mail piece density
USPS-FY11-15	Parcel Post assumptions 2008 Delivery Unit (DU) Study data MTM-4M Time Estimates Inter-BMC / Intra-BMC Percentage Distribution Operating Statistics
Docket No. R2000-1 USPS-LR-I-88	Sack dumping productivity estimate
Docket No. R97-1, USPS-LR-H-131	Arrival profile
Docket No. R97-1, USPS-LR-H-132	Productivity data Dispatch profile
Docket No. R97-1, USPS-LR-H-133	Container dimension data
Docket No. R84-1, Exhibit USPS-T-14I 2011 Parcel Post data	Pieces per container data Percent of mail that is Zones 1-3 (Intra-NDC)
2011 RPW Data	Media Mail / Library Mail volumes by shape
2011 Special Weights Reports	Weight data

The Media Mail / Library Mail cost estimate outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY11-3. The Media Mail / Library Mail weighted average model cost, proportional adjustment factor and fixed adjustment factor are also relied upon in the Bulk Parcel Return Service (BPRS) cost study contained in USPS-FY11-16.

II. ORGANIZATION

The Bound Printed Matter cost model results are presented in the Microsoft Excel workbook 'USPS-FY11-15.BPM.xls' in the spreadsheet tab entitled 'Summary,' page 1 USPS-FY11-15. The results are also reported in Table 1 below.

TABLE 1: BOUND PRINTED MATTER COST ESTIMATES

<u>Category Description</u>	<u>Cost Estimate</u>
DBMC Cost Savings Estimate	\$ 0.170
DSCF Cost Savings Estimate	\$ 0.484
DDU Cost Savings Estimate	\$ 0.134
Carrier Route Presort Cost Savings Estimate	\$ 0.153
Flats - Parcel Cost Differential	\$ 0.172
Barcode Savings Estimate	\$ 0.041

The Media Mail / Library Mail cost model results are presented in the Microsoft Excel workbook 'USPS-FY11-15.MM-LM.xls' in the spreadsheet tab entitled 'Summary,' page 13, USPS-FY11-15. The results are also reported in Table 2 below.

TABLE 2: MEDIA MAIL / LIBRARY MAIL COST ESTIMATES

<u>Category Description</u>	<u>Cost Estimate</u>
Total Mail Processing Unit Cost Estimates	
Single-Piece	\$ 2.075
Basic Presort	\$ 1.609
5-Digit Presort	\$ 1.223
Mail Processing Unit Cost Savings Estimates	
Basic Presort	\$ 0.466
5-Digit Presort	\$ 0.852
Barcode Savings Estimate	\$ 0.041

The Proposal Thirteen version of the cost model can be found in the Microsoft Excel workbook 'USPS-FY11-15.MM-LM.PROPOSAL13.xls'.