

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Mail Processing Network
Rationalization Service Changes, 2012

Docket No. N2012-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

(Issued January 13, 2012)

The Postal Service is requested to respond to the following questions to clarify the record on its request for an advisory opinion under 39 U.S.C. 3661(c) regarding the Mail Processing Network Rationalization Service Changes, 2012 (MPNR).¹ In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service shall have a witness attest to the accuracy of the answers and be prepared to explain, to the extent necessary, the basis for the answers at the hearings.² Responses shall be provided no later than January 24, 2012.

The Postal Service has scheduled a technical conference for January 20, 2012 regarding the network modeling testimony of witness Emily R. Rosenberg (USPS-T-3) and her associated library references.³ If witness Rosenberg is unable to file responses to the questions directed towards her testimony prior to the technical conference, it

¹ Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, December 5, 2012 (Request).

² Questions have been grouped by the witness most likely to respond. The Postal Service may redirect questions as necessary to provide a complete response, including the provision of institutional responses if necessary.

³ United States Postal Service Notice of Scheduling of Technical Conference in Relation to Testimony of Witness Emily Rosenberg (USPS-T-3), January 6, 2012.

would be helpful if she is prepared to answer these questions orally during the technical conference.

The following question(s) are directed to witness Emily R. Rosenberg (USPS-T-3):

1. LR-USPS-N2012-1-15 file "15_LogicNet Model.xls" tab 'PlantDetails' columns M and N are titled "Fixed Opening Cost" and "Fixed Operating Cost." Please provide:
 - a. the source of the data in these columns, and
 - b. detailed descriptions of what these data measure.
2. LR-USPS-N2012-1-15 file "15_LogicNet Model.xls" tab 'ProductionInfo' columns N and O are titled "RT Production Cost" and "OT 1 Cost."
 - a. Please confirm that column N contains the variable processing costs for Letter, Flat and Parcel processing. If not confirmed, please explain.
 - b. Please provide a detailed description of column O, "OT 1 cost."
 - c. Please explain how the differences in variable processing costs were estimated.
 - d. Please explain the process used to determine the variable processing cost for each plant.
 - e. Please provide the workpapers used to develop the figures in these columns.
3. Please confirm that the LR-USPS-N2012-1-17 file "17_ZipAssignment_LocalInsight.xls" tab 'OD-PlantToCustRpt' contains an output table derived from an IBM LogicNet Plus optimization solution. If not confirmed, please explain.
 - a. Was this output file developed from an optimization solution that used the file "15_LogicNetModel.xls" for all input data?

- d. Please confirm that the data in LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'Model MODS' column BB "FLAT" is calculated using the volume data in tab 'ODIS.' If not confirmed, please explain.
 - e. Please provide a citation to the source for the 3 digit "SPBS" product "Demand" data in the LR-USPS-N2012-1-15 file "15_LogicNetModel.xls."
 - f. Please provide a narrative describing where the data LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'ODIS' is derived from and a discussion of any other analysis that relies on these data.
 - g. Please provide the workpapers used to develop the volume data in LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'ODIS.'
5. The Preface for the LR-USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" states that tab 'ModelMODS' contains "Summary of data from each broad category worksheet (CANC, L-OGP, etc) by 3-Digit ZIP Code from FY2010 Workload Volume by Operation Type (USPS-LR-N2010-1/13 and its nonpublic counterpart USPS-LR-N2010-1/NP2). Incorporates ZIP Code assignment information from OD-PlantToCustRpt worksheet." The "Manual Sqft pct" in cell AT3 of file "17_ZipAssignment_Locallnsight.xls" tab 'ModelMODS' does not match the "Manual Sqft pct" in cell H3 of file "USPS.LR.N2012.1.13.xls" tab 'Model MODS.' Please explain the reason for the usage of a different "Manual Sqft pct" in the two workpapers, and the impact of using different factors.

6. LR-USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' contains an output table derived from an IBM LogicNet Plus optimization solution. It identifies shipping cost and production costs for 3-digit demand points allocated to processing facilities in columns M and N. The following questions seek information about the links between the outputs from this file and the data provided in the LR-USPS-N2012-1-15 file "15_LogicNetModel.xls."

- a. Please confirm that column M, Shipping Cost, is calculated for each "product" for each "customer" using the following formula:

$$\text{Shipping Cost} = \text{Trips} \times \text{Cost per Trip}$$

$$\text{Trips} = \text{Units}/1200$$

$$\text{Cost per Trip} = (\text{Distance from Plant to Customer} \times 1.82) + 100$$

If not confirmed, please provide and explain the formula that is used.

- b. Please confirm that column N, Production Cost, is calculated for each "customer" using the following formula:

$$\text{Production Cost} = \text{Units} \times \text{RT Production Cost}$$

If not confirmed, please provide and explain the formula that is used.

- c. For illustrative purposes, please confirm the steps used to develop the following shipping cost example from LR-USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' row 15, customer "120 – ALBANY NY" product "FLAT" processed by Plant ID 33, "Albany, NY." Please explain any steps that are not confirmed.
- i. Please confirm that Customer 120 has 5,206 units, as is detailed in USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' cell L15 and LR-USPS-N2012-1-15 file "15_LogicNetModel.xls" tab 'Demand' cell G345, which means that Customer 012 requires 4.3383 trips.
 - ii. Please confirm that Customer 012 is 15.1 miles from Plant 33, as identified in LR-USPS-N2012-1-15 file "15_LogicNetModel.xls" tab 'SiteDistances' cell G1271.
 - iii. Please Confirm that the "RT Production Cost" for Plant 33 product "FLAT" is 0.652411 as identified by LR-USPS-N2012-1-15 file "15_LogicNetModel.xls" tab 'ProductionInfo' cell N1653.
 - iv. Please confirm that the "Shipping Cost" for Customer 120 product "FLAT" is $((15.1 \times 1.82) + 100) \times 4.3833 = 533.05$, as identified in USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' cell M15.
 - v. Please confirm that the "Production Cost" for Customer 120 product "FLAT" is $5,206 \times 0.652411 = 3,396.45$ as identified in USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' cell N15.

- d. For illustrative purposes, please provide the same detailed demonstration of the calculations shown in part c for USPS-N2012-1-17 file "17_ZipAssignment_Locallnsight.xls" tab 'OD-PlantToCustRpt' row 2, customer "012 Springfield MA" product "Flat" allocated to Plant 16 "Hartford, CT."

The following question(s) are directed to witness Marc A. Smith (USPS-T-9).

7. Please refer to page 16 of USPS-T-9. What is the likelihood that the Postal Service would need to acquire Delivery Bar Code Scanners in the foreseeable future, given that mail volume growth is likely to be flat or decreasing?

The following question(s) are directed to witness Bradley (USPS-T-10).

8. The Postal Service states that transportation costs will be saved from Postal Vehicle Service (PVS) transportation through transfer of responsibility to Highway Contract Route (HCR) service as the cost of HCR is lower than that of PVS transportation. USPS-T-10 at 34.
 - a. Please discuss whether achieving transportation cost savings by transferring responsibility to HCR service could be achieved independent of the proposed network rationalization and changes in service standards. Please include a discussion of the rationale for including it as a component of the cost savings resulting from the network and service changes.

- b. Refer to the Institutional Responses of the United States Postal Service to Public Representatives First Set of Interrogatories and Requests for Production, Redirected from Postal Service witness Rachel (PR/USPS-T8-1-3), question PR/USPS-T8-2, filed on January 4, 2012. In this response, the Postal Service states that all non-managerial Motor Vehicle Operators have layoff protection. In light of these protections, please discuss how the Postal Service plans to transfer PVS transportation responsibility to HCR. Additionally, please discuss the rationale for counting the entire labor cost of all PVS employees working at potentially eliminated PVS sites as transportation cost savings.
9. Refer to Responses of the United States Postal Service to Questions 3-6, 14, 15 (a-k), 18(b) and 21 of Presiding Officer Information Request No. 1, filed on January 9, 2012. In response to question 15 (j), witness Mehra states, "I am informed that the testimony of witness Bradley does not consider BMEUs when calculating transportation cost savings."
 - a. Please discuss the rationale for excluding the transportation costs of the BMEUs that will be kept open at impacted facilities.
 - b. Please provide estimates of transportation costs of keeping BMEUs open at impacted facilities.

The following question(s) are directed to witness Rebecca Elmore-Yalch (USPS-T-11).

10. In testimony USPS-T-11, sampling weights are provided for the Small Business Sample in figure 23 on page 34 and are used in calculating the Volume Forecasts presented in figure 45 on page 52.
 - a. Please explain why sampling weights are not provided for the Home Business Sample.

- b. Please explain how the results are affected by the lack of sampling weights for the Home Business Sample.
11. Please refer to USPS-T-12 at 22, chart 1, titled *Volume, Revenue, Cost, and net Contribution Changes with First Class Mail Service Standard Changes*.
- a. Please provide insight as to how the relationship of Express Mail and Priority mail as substitute goods for First-Class Mail might be affected by the MPNR.
 - b. The predicted decrease in the volume of Express and Priority Mail due to the service standards changes for First-Class Mail is suggestive of a relationship as complementary goods rather than substitute goods. Please explain this counter-intuitive result.

The following question(s) are directed to witness Greg Whiteman (USPS-T-12).

12. Single-piece First-Class Mail volume is separately identified for the three account types in “CBCIS-Account Type_Products.xls” tab ‘sheet1’ cells F11, F33 and F55. The source of the single-piece First-Class Mail volume data found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cells E8, I8, and M8 is the First-Class Mail Residual volume data in cells E56, F56, and G56.
- a. Please explain what is identified by First-Class Mail Residual volume.
 - b. Please explain why the single-piece First-Class Mail found in “CBCIS-Account Type_Products.xls” cells F11, F33 and F55 is not included in the total single-piece First-Class Mail volumes found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cells E8, I8, and M8.

13. Presort First-Class Mail volumes are separately identified for the three account types in “CBCIS-Account Type_Products.xls” tab ‘sheet1’ cells F10, F32 and F54. The source of the presort First-Class Mail volumes found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cells E9, I9, and M9 is the First-Class Mail total volume data found in cells “CBCIS-Account Type_Products.xls” tab ‘sheet1’ cells F9, F31, and F53. Please explain why the presort volumes found in “CBCIS-Account Type_Products.xls” tab ‘sheet1’ cells F10, F32, and F54 are not used to identify presort First-Class Mail volumes found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cells E9, I9, and M9.
14. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred.’
 - a. Please confirm that the source of the Express Mail volumes identified in cells E20, I20 and M20 should have been the Express Mail volumes identified in cells E62, F62, and G62 respectively.
 - a. If not confirmed, please explain why the Express Mail volumes identified in cells E20, I20, and M20 include both the Express Mail volumes found in cells E62, G62, and G62 as well as the Parcels/Packages Residual volumes found in cells E60, F60, and G60.
15. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred.’
 - a. Please confirm that the source of the Parcels/Packages volumes identified in cells E25, I25, and M25 should have been the Parcels/Packages volumes identified in cells E59, F59, and G59 plus the Parcels/Packages Residual volumes identified in cells E60, F60, and G60.

- b. If not confirmed, please explain why the source of Parcels volumes identified in cells E25, I25, and M25 does not include the Parcels/Packages Residual volumes identified in cells E60, F60, and G60.
16. Please confirm that the source of the data found in USPS-LR-N2012-1/NP1 “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cell I15 is cell F67 in “CBCIS-Account Type_Products.xls” tab ‘sheet1.’ If not, please identify the source of the data found in “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” cell I15.
17. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred’ cells J9-J21.
 - a. Please confirm that the source of this data is column D in figure 43 of USPS-T-11.
 - b. If confirmed, please explain discrepancies between the data in cell J14 and the data in figure 43 of USPS-T-11.
 - c. If not confirmed, please identify the source of the data found in cells J9-J21.
18. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Nat’l, Premier, and Preferred.’ Please refer to cells N9-N21.
 - a. Please confirm that the source of this data is column D in figure 44 of USPS-T-11.
 - b. If confirmed, please explain discrepancies between the data in cells N20 and N21 and the data in figure 44 of USPS-T-11.
 - c. If not confirmed, please identify the source of the data found in cells N9-N21.

19. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Small Business.’
 - a. Please confirm that the source of the data found in cell B49 should be the sum of cell C33 in tab ‘Small Business’ and cell C16 in the tab ‘Consumers.’ If not confirmed, please identify the source of the data found in cell B49.
 - b. Please confirm that the source of the data found in cell B60 should be the sum of cell C34 in tab ‘Small Business’ and cell C17 in the tab ‘Consumers.’ If not confirmed, please identify the source of the data found in cell B50.
 - c. Please confirm that the source of the data found in cell B51 should be the sum of cell C35 in tab ‘Small Business’ and cell C18 in the tab ‘Consumers.’ If not confirmed, please identify the source of the data found in cell B51.
20. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls” tab ‘Small Business.’ Please identify the source of the data found in cells B43 and B44 and explain why these businesses are subtracted from the total number of small business found in cell B42.
21. Please refer to the USPS-LR-N2012-1/NP1 file “Network Rationalization Volume Revenue Contribution Loss-Final2.xls.”
 - a. Please explain why a different methodology is used in tab ‘Nat’l, Premier, and Preferred’ to calculate estimated volume loss due to changes in service standards as compared to that employed in tabs ‘Small Business’ and ‘Consumer.’

- b. Please provide estimated volume losses employing the same methodology for tabs 'Nat'l, Premier, and Preferred,' 'Small Business,' and 'Consumer.'

Ruth Y. Goldway
Presiding Officer