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

MAIL PROCESSING NETWORK RATIONALIZATION SERVICE CHANGES, 2011	Docket No. N2012-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1 THROUGH 9 AND 11 THROUGH 21 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

The United States Postal Service hereby files the following responses to the

following questions submitted as part of Presiding Officer's Information Request No. 2,

dated January 13, 2012:

- responses of witness Rosenberg (USPS-T-3) to questions 1 through 6;

- response of witness Smith (USPS-T-9) to question 7;

- responses of witness Bradley (USPS-T-10) to questions 8-9;

- response of witness Elmore-Yalch (USPS-T-11) to question 11; and

- responses of witness Whiteman (USPS-T-12) to questions 12-21.

The response to question 10 is forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Anthony F. Alverno, Jr.
Chief Counsel, Global Business

Michael T. Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2998; Fax -5402
michael.t.tidwell@usps.gov
January 24, 2012

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

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.

RESPONSE

The _opening cost_ in LogicNet is either the rental cost for leased facilities or a calculated "opportunity cost" for an owned building. To determine if a facility is leased, a cutoff of lease costs per finance per square foot is calculated in the query"Output to LoginNet with RealCosts (no deprec)" within USPS Library Reference N2012-1/52 (Facility data to run LogicNet model (no Depreciation)_NoLinks.zip).

Valuations for owned buildings were dependent on multiple factors. An analysis was conducted on a small sample of recently owned building sale summary. The independent factors for these buildings were tested for influence on the sale price within Minitab and square feet was the only significant factor. Therefore, the formula from the Minitab conclusions was used to value owned buildings and the "opportunity cost" of the building's value was spread over 10 years at the expected rate of inflation. This formula is the fixed closing cost formula within the "Output to LoginNet with RealCosts (no deprec)" query within MS Access.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

RESPONSE to Question 1 (continued):

Operating Cost for each facility is equal to the utility costs from the accounting

log and are calculated in the "Daily Utility costs each Finance" query within USPS

Library Reference N2012-1/52 (Facility data to run LogicNet model (no

Depreciation)_NoLinks.zip).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

    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.

RESPONSE

a. Confirmed. This is a calculated unit cost used for modeling purposes. Please reference USPS-T-3, page 15, fn. 20 to define a unit.

b. OT 1 Cost is the unit cost to process volume at an annex. The OT1 unit cost is double the RT Production Cost to incentivize the model to first use the primary facility. Only 16 sites were utilized in this capacity.

Line costs are the manufacturing or labor costs - Extrapolated linear cost functions from the polynomial functions for per piece per day per square foot cost. Used these formulas to create line options (low volume, medium volume, and high volume) with different costs per piece.

c. See LR-USPS-N2012-1-46.

d. See LR-USPS-N2012-1-46.

e. See LR-USPS-N2012-1-46

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

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?

      b.   For the optimization solution that was used to develop the "OD-PlantToCustRpt," please provide the following solution reports in Excel format:

            i.   Summary Report "Cost Summary"

            ii.   Summary Report "Plants"

            iii.   Summary Report "Lines"

            iv.   "Landed Cost"

RESPONSE

a: No. The tab, 'OD-PlantToCustRpt' in Library Reference 17 is not the pure output

of LogicNet. Logic Net modeled only three products "Letter", "Flat", and "SPBS".

The tab, OD-PlantToCustRpt', breaks out the products to a finer level. In

addition, the file was adjusted based on headquarters subject matter expertise.

See the response to subpart (b) below regarding corresponding output.

b.   See USPS Library Reference N2012-1/53, POIR_No2_Q3_OutputReports.xls.

Note that the final tab includes a version of the ZIP Code Processing Plant

Assignments. These ZIP Code assignments are not the same as USPS Library

Reference N-2012-1/16. All LogicNet solution reports included in Library

Reference 53 are associated with the ZIP Code assignments included in the

"OutputReports" worksheet. The results are used as decision support tools, not

decision making tools. Any differences between Library References 16 and 53

RESPONSE to Question 3 (continued)

are believed to be insignificant. The ZIP Code plant assignments were the

starting point for discussion. The final results will be vetted through each facility-

specific application of the USPS Handbook 408 Area Mail Processing

consolidation review process.

4. USPS-T-3 at page 13 states "The objective of the model is to maximize assignment of 3-digit ZIP codes to a facility," further stating in footnote 14 that "the 3-digit ZIP Code processing square footage (footprint) is the sum of square footage for each equipment type that is require to perform both origin and destination processing for the 3-digit ZIP Code."

a. Please confirm that LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'Model MODS' column BA "LTTR" is the source for the 3 digit "LTTR" product "Demand" data in the file LR-USPS-N2012-1-15 "15_LogicNetModel.xls" tab 'Demand.' If not confirmed, please explain.

b. Please confirm that the data in LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'Model MODS' column BA "LTTR" is calculated using the volume data in tab 'ODIS.' If not confirmed, please explain.

c. Please confirm that LR-USPS-N2012-1-13 file "USPS.LR.N2012.1.13.xls" tab 'Model MODS' column BB "FLAT" is the source for the 3 digit "FLAT" product "Demand" data in the file LR-USPS-N2012-1-15 "15_LogicNetModel.xls" tab 'Demand.' If not confirmed, please explain.

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.'

RESPONSE

a. Not Confirmed. The letter demand was refined during the modeling. In modelMODs, the total LTTR demand is 7,953,769. In LogicNet's demand file the letter was decreased to is 7,930,767.

b. Confirmed. The Origin Destination Information System (ODIS) is one of the sources used to calculate the LTTR demand.

RESPONSE to Question 4 (continued)

c.   Confirmed.

d.   Confirmed. The ODIS is one of the sources used to calculate the FLAT demand.

e.   SPBS Demand is calculated using the same methodology as LTTR and Flat

demand. The details can be found in USPS Library Reference N2012-1/NP2.

f.   The volume data provided in the ODIS worksheet in the workbook

USPS.LR.N2012.1.13.xls were derived from ODIS and MODS (Management

Operating Data System). ODIS contains 3-digit to 3-digit ZIP Code average daily

volume (ADV) by mail class, shape, and indicia. This information was used to

derive those processes with a red column name. Other operations, with white

column names, were derived by using ODIS and MODS. An example best

illustrates how these two calculations differ. All data used was from FY2010.

L-OGP for ZIP Code 005 - The sum of all ODIS ADV where:

(1) OZIP = 005

(2) Mail Class = First-Class Mail

(3) Shape = Letter

(4) Indicia = any value

RESPONSE to Question 4 (continued)

L-OGS for ZIP Code 005 - since an approximation for L-OGS could not be

determined directly from ODIS, the ODIS L-OGP and ratio of MODS average

daily volume (ADV) for L-OGP and L-OGS was used to calculate ODIS L-OGS:

(1) ODIS L-OGS = ODIS L-OGP * (MODS L-OGS ADV/MODS L-OGP ADV)

The ODIS worksheet data is used as a secondary method to determine the

model workload for each ZIP Code for each process step. Thus the data on this

tab are used in all process step worksheets (CANC, L-OGP, L-OGS, etc.)

g.   See USPS Library References N2012-1/55 and N2012-1/NP11. The former will

contain the SAS code. The latter will contain the raw ODIS data.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

5. The Preface for the LR-USPS-N2012-1-17 file
"17_ZipAssignment_LocalInsight.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_LocalInsight.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.

RESPONSE:

We refined our assumptions throughout the modeling. After consulting with the field, we

deemed it necessary to be more conservative in calculating the square footage required

for manual operations and thus we increased the percentage from 15 percent to 20

percent. Inflating this factor increases the footprint of each machine. AT3 is used in

the formulas for equipment square footage.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS ROSENBERG
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

6. 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. 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:

        Shipping Cost = Trips x Cost per Trip

        Trips = Units/1200

        Cost per Trip = (Distance from Plant to Customer x 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:

        Production Cost= Units X 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_LocalInsight.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_LocalInsight.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 x 1.82) +100) x 4.3833 = 533.05, as identified in USPS-N2012-1-17 file "17_ZipAssignment_LocalInsight.xls" tab 'OD-PlantToCustRpt' cell M15.

Question 6 (continued)

     v. Please confirm that the "Production Cost" for Customer 120 product "FLAT" is 5,206 x 0.652411 = 3,396.45 as identified in USPS-N2012-1-17 file "17_ZipAssignment_LocalInsight.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_LocalInsight.xls" tab 'OD-PlantToCustRpt' row 2, customer "012 Springfield MA" product "Flat" allocated to Plant 16 "Hartford, CT."

RESPONSE

a. Confirmed. In some cases, ZipAssignment_LocalInsight.xls includes ZIP mappings where the plant was changed due to local considerations. In those cases, the Logic Net calculation for shipping cost was not required to be refreshed.

b. Confirmed. In general this is true. In addition, at some sites, annex capacity was modeled at the host plant as overtime capacity. Overtime capacity carried a separate and higher unit cost. Where the model chose to use overtime capacity the equation for production cost would be as follows: Production Cost = Units_{RT} X RT Production Cost + Units_{OT} X OT 1 Cost

c.

  i. Confirmed.

  ii. Confirmed – assuming the question intended Customer 120 and not Customer 012.

  iii. Confirmed

RESPONSE to Question 6 (continued)

      iv.   Confirmed.

      v.   Confirmed.

d.   As stated in the answer to subpart (a) above, in some cases, ZipAssignment_LocalInsight.xls includes ZIP mappings where the plant was changed due to local considerations. In those cases, the Logic Net calculation for shipping cost was not required to be refreshed. Customer 012 is an example where the model mapping was changed.

If Needed: In the model, 012 was assigned to Albany, which is 60.4 miles from 012.

Shipping cost = (10160/1200)*(60.4*1.82 + 100) = 1777.39

     Production cost = (10160*0.65241) = 6628.50

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

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?

RESPONSE:

I am unable to say what the likelihood is that the Postal Service would need to

acquire Delivery Barcode Sorters (DBCSs) in the foreseeable future. The

motivation behind my testimony "to the extent that the current service standards

are maintained, the Postal Service is going to need to acquire more equipment,

such as DBCSs, than it would otherwise need under the proposed service

standards" is that the Postal Service's DBCSs are generally older than ten years

and that, at some point, they will need replacement or remediation. It is my

understanding that Engineering is looking at this issue to determine the best

approach, which could well rely more on refurbishing or remediation. No plan

has yet been developed on this issue.

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.

RESPONSE:

(a)   It is my understanding that the closing of mail processing facilities

associated with the service standard change is the event that will cause

the closing of the PVS operations at the identified sites. Without the

closing of the mail processing facility, the Postal Service would still need

the associated transportation. Thus, the rationale for including these cost

savings as a component of the cost savings resulting from the network

and service change is that they would be initiated by the structural change

in the mail processing network caused by the service standard change.

RESPONSE to Question 8 (continued):

The next question is how to calculate the cost of any additional highway transportation required at the remaining active sites. It is my understanding that the Postal Service plans stipulate that any additional transportation be in the form of Highway Contract Routes, so the cost of HCR transportation is the appropriate basis for estimating the cost of any additional transportation required at active sites.

To the extent that the unit cost for HCR transportation is less than the unit cost for PVS transportation, it is true that the Postal Service would save cost anytime that it substitutes HCR transportation for PVS transportation. The fact that the Postal Service continues to use PVS transportation, despite it higher cost, indicates that there are reasons other than just cost for its continued use. One could infer that those reasons make it difficult for the Postal Service to simply substitute HCR transportation for PVS transportation in order to achieve cost savings.

(b) I am informed by witness Rachel that the Postal Service will use the complement-reduction tools described in his testimony to reduce the number of PVS employees in order to achieve the savings. That being the case, it is appropriate to include the entire labor cost of the PVS employees at potentially eliminated PVS sites in calculating the estimated cost savings. Moreover, I am informed by witness Martin that when the Postal Service transfers the PVS transportation responsibility to an active site, it will comply with its obligations under the collective bargaining

RESPONSE to Question 8 (continued):

agreement and will follow its standard contracting procedure in acquiring

any additional HCR transportation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BRADLEY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

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.

RESPONSE:

(a)   It is my understanding that any Postal Service plans to keep

BMEUs open at impacted facilities are included as part of the transition to

the realigned network but are not included as part of the final realigned

network. As a result, witness Martin's analysis of the operational structure

of the highway transportation in the realigned network and my subsequent

analysis of the highway transportation cost changes for the realigned

network exclude analysis of BMEUs at impacted sites. This is because

the Postal Service is interested in calculating the "full up" cost impacts of

the network change and not the transition costs.

(b)   The cost of providing highway transportation for BMEUs remaining

active at impacted sites depends upon the number of BMEUs remaining

active, the locations of the BMEUs remaining active, and the operational

structure put in place to provide any necessary transportation. It is my

understanding that the Postal Service has not determined the answers to

RESPONSE to Question 9 (continued):

these questions. The transportation cost of keeping BMEUs open at

impacted facilities cannot be calculated until these answers are known.

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.

RESPONSE:

a.   As indicated in the quantitative market research, we can expect both Express Mail and Priority Mail to experience volume decreases. It should be acknowledged that some customers will trade up from First-Class Mail to Priority Mail depending upon the needs for speed of service, tracking, and value imparted by, for example, use of the Priority Mail branded mailing supplies. However, we would generally not expect customers to bypass Priority Mail and trade up from First-Class Mail to Express Mail.

It also should be acknowledged that some customers will trade down from Priority Mail to First-Class Mail depending upon the importance of attributes such as speed of service, tracking, and value imparted by, for example, use of Priority Mail branded mailing supplies. However, we would not expect customers to bypass Priority Mail and trade down from Express Mail to First-Class Mail.

b.   The reason why Express Mail and Priority Mail will experience volume decreases most likely is due to a concern that, as the Postal Services changes the service standards for First-Class Mail and adjusts its operating plan for First-Class Mail, service for Express Mail and Priority Mail would also be affected, thereby reducing the perceived value of service for these two products.

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.

RESPONSE:

a.   First-Class Mail residual volume represents full rate First-Class Mail for which a meter was used for payment. However, it does not include single piece First-Class Mail which is part of a Presort Automation mailing.

b.   The single piece First-Class Mail found in "CBCIS-Account Type_Products.xls cells F11, F33, and F55" are included in the Presort total in cells E8, I8, and M8. We include this volume in the Presort total as we assumed that when customers provided us estimates on their Presort volume, they would include both their qualifying volume and their non-qualifying volume.

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.

RESPONSE:

This question essentially inquires about two definitions commonly applied to the meaning of 'presort mailing.' When a presort customer presents a large mailing, most of the mail qualifies for the deepest intended presort discount, while a residual amount that does not (perhaps because insufficient pieces are presented for a given five-digit ZIP Code) still qualifies for a lesser discount. But a small amount of 'other volume' does not qualify for any discount and consequently pays the First-Class Mail single piece rate. Our research asked customers about their presort volumes, by which we expected them to refer (as they do colloquially) to entire mailings. But this presents a challenge for mapping the research results to particular products. This question accordingly inquires about the logic of such mapping.

The volume shown in cells F9, F31, and F53 represents the qualifying discount volume in presort automation mailings (cells F10, F32, and F54 in CBCIS-Account Type_Products.xls), the non-qualifying volume in presort automation mailings (cells F11, F33, F55 in CBCIS-Account Type_Products.xls) and other volume (cells F12, F34, and F56 in CBCIS-Account Type_Products.xls). We

used all three to represent the presort total since this would best reflect

respondents' understanding. We included the other volume in the total for

presort automation mail, despite its paying single-piece First-Class Mail, both

because of our best understanding of respondents' expectation, and because

were it instead aggregated with actual First-Class Mail otherwise reported as

"residual meter" volume because it might have had a material impact upon First-

Class Mail results. So essentially we took the most conservative course that, in

effect, uses the other volume in a way where its significance is less than a

rounding error.

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.

RESPONSE:

a.   Not confirmed.

b.   The volumes included in cells E20, I20, and M20 include the respective volumes from cells E62, F62, and G62 plus E60, F60, and G60. The volumes in E62, F62, and G62 represent only the Corporate Account Express Mail, a small portion of all Express Mail volume. Most of the Express Mail volume is included in the volume in E60, F60, and G60. As we are not able to determine what portion of the volume in E60, F60, and G60 is Express Mail, we decided to include all the volume reported as Residual Packages as Express Mail volume so we would be assured that we were not underreporting the Express Mail volume.

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.

RESPONSE:

a.   Not confirmed.

b.   The logic here is the same as described in response to question 14(b).

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.

RESPONSE:

Confirmed.

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.

RESPONSE

a.	Confirmed.

b.	Investigation of this question reveals a data entry mistake in the form of the wrong sign: I entered "0.1" when it should be "-0.1." I will correct the spreadsheet.

c.	N/A

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.

RESPONSE:

a.   Confirmed.

b.   Investigation of this question revealed data entry errors for the sign of

certain values. I entered slightly more negative numbers than the data in Figure

44 warrant. I will accordingly correct the spreadsheet.

c.   N/A

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.

RESPONSE

a.   Confirmed.

b.   If this question is understood as referring to cell B50 rather than B60 (as I think it was), confirmed. As such, the total should be 6,325,013,327. I will correct the spreadsheet.

c.   Confirmed, which means that the total should be 4,030,681,201. I will correct the spreadsheet.

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.

RESPONSE:

The source of the data in cells B40 and cells B42-B45 is Equifax. This tab is

designed to report separately the estimated volumes for business establishments

which we title "small businesses" (cell B45) and "at-home businesses" (cells B43

and B44). We got from Equifax the total number of small establishments (cells

B42), and establishments with no employees (cell B43) and 1 employee (cell

B44). We characterized the number of establishments with no or just 1 employee

as "at-home" businesses. By subtracting the number of establishments in cells

B43 and B44 from the total number of establishments (cell B42), we get the

number of establishments with 2 or more employees, which we used as the total

of "small businesses,"

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.'

RESPONSE:

The reason we used different methods for the National, Premier, and Preferred category versus the Small Business and Consumer categories is that we had known product volumes for the former, but not the latter. Thus for the former, we are able to apply the estimated percentage change provided to us by OCR International to a known volume figure for each product to calculate reliable volume changes.

Since we do not have known product volumes for Small Businesses and Consumers, we had to rely on both the volume and the percentage change in volume estimates provided by ORC International to calculate the volume changes.

Using the two different methods is appropriate as we are not comparing differences between the respective segments. We used the best available estimates for each category of customers to generate the most reliable and valid estimates available for each segment.