

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

I. PREFACE

A. Purpose and Content

USPS-FY12-10 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
ACR2011, USPS-FY11-10
Docket No. RM2011-5, Order No. 741
Docket No. RM2011-12, Order No. 920
Docket No. RM2012-1, Proposal Twelve, Order No. 1153
Docket No. RM2012-2, Proposal Nineteen, Order No. 1383
Docket No. RM2010-13, Order No. 1320

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 was approved by the Commission in Order No. 741.

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.

Docket No. RM2012-1; Proposal Twelve, Order No. 1153 modifies the mail processing cost model applicable to the Standard mail presort letters to disaggregate the mail

processing costs of Standard nonautomation machinable MAADC and AADC presort letters.

Docket No. RM2012-2, Proposal Nineteen, Order No. 1383 modifies the mail processing cost model applicable to the First-Class mail presort letters to develop separate cost estimates for the nonautomation machinable MAADC and the AADC categories.

Due to the replacement of Letter Mail Labeling Machine (LMLM) with Low Cost Reject Encoding Machines (LCREM), corresponding LCREM data from Volume Variability Factors, Piggyback factors and Productivity values are used in USPS-FY12-10. Corresponding labels in the “cost” and “model” spreadsheets of each rate category have been replaced.

E. Inputs/Outputs

<u>Input Source</u>	<u>Input Description</u>
USPS-FY12-7	Volume variability factors Premium pay factors Wage rates
USPS-FY12-14	Mail Characteristics Data
USPS-FY12-19	Delivery costs by shape, Collection costs
USPS-FY12-23	MODS productivity data
USPS-FY12-24	Piggyback factors
USPS-FY12-25	Operation-specific piggyback factors RCR cost data
USPS-FY12-26	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
2012 Carrier Piece Count (CPC) Data	Post office box destination percentage
2012 FAST Data	Incoming secondary percentages

2012 RBCS Data	RCR finalization rate
2012 WebEOR Data	Operation acceptance and reject rates
USPS-FY08-10	OSS Reject Rates
2008 Field Study	Bundle sorting productivity
<u>Output Document</u>	<u>Output Description</u>
USPS-FY12-3	Discounts and pass-through values
USPS-FY12-19	Delivery Costs by Shape (DPS percentages)
USPS-FY12-21	QBRM and BRM Costs
USPS-FY12-30	Market Dominant NSA Materials

II. ORGANIZATION

USPS-FY12-10 contains two MS Excel workbooks.

The workbook USPS-FY12-10.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 ACR2011 methodology with enhancements made following Order No. 1320 (Docket No. RM2010-13) methodology.

The workbook USPS-FY12-10.STD.LTRS.xls contains the Standard Mail presort letters mail processing unit cost estimates by price category. These estimates are developed using the ACR2011 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)
Letters		
Nonautomation Presort Letters	8.096	6.345
Automation Mixed AADC Letters	9.625	4.532
Automation AADC Letters	7.217	7.173
Automation 3-Digit Presort Letters	6.661	7.737
Automation 5-Digit Presort Letters	4.341	10.252
Cards:		
Nonautomation Presort Cards	5.985	-
Automation MAADC Presort Cards	4.760	1.100
Automation AADC Presort Cards	3.644	2.404
Automation 3-Digit Presort Cards	3.386	2.668
Automation 5-Digit Presort Cards	2.311	3.901
STANDARD MAIL LETTERS		TOTAL MAIL
RATE CATEGORY		PROCESSING
		UNIT COST
		(CENTS)
Nonautomation Nonmachinable MADC Presort Letters		28.204
Nonautomation Nonmachinable ADC Presort Letters		20.231
Nonautomation Nonmachinable 3-Digit Presort Letters		17.512
Nonautomation Nonmachinable 5-Digit Presort Letters		9.843
Nonautomation Machinable MAADC Presort Letters		8.113
Nonautomation Machinable AADC Presort Letters		6.346
Automation MAADC Presort Letters		8.247
Automation AADC Presort Letters		6.415
Automation 3-Digit Presort Letters		5.975
Automation 5 Digit Presort Letters		4.186