

STANDARD MAIL AND PERIODICALS DESTINATION ENTRY COST AVOIDANCE ESTIMATES

I. PREFACE

A. Purpose and Content

USPS-FY12-13 documents the destination entry cost avoidance estimates for Standard Mail and Periodicals.

B. Predecessor Document

Docket No. ACR2011, USPS-FY11-13

C. Corresponding Non-Public or Public Document

There is no non-public document that corresponds to USPS-FY12-13.

D. Methodology Changes

The Standard Mail and Periodicals destination entry cost models rely on the same methodologies presented in Docket No. ACR2011, USPS-FY11-13.

E. Inputs/Outputs

The Standard Mail destination entry cost avoidance estimates are calculated using the following inputs:

| <u>Input Source</u> | <u>Input Description</u> |
|---------------------|--|
| USPS-FY12-1 | Standard Mail total pieces and pounds |
| USPS-FY12-7 | Overhead factors Volume variability factors Premium pay factors Other mail processing wage rate |
| USPS-FY12-14 | Entry profile data by facility / container type Pieces per sack, tray, and pallet |
| USPS-FY12-24 | Cost segment 8 piggyback factor |
| USPS-FY12-25 | Operations specific piggyback factors |
| USPS-FY12-32 | Cost segment 8 and 14 data |

| | |
|---|--|
| Docket No. R97-1, USPS-LR-H-105 | Sacks per pallet Trays per pallet |
| Docket No. R97-1, USPS-LR-H-111 | Flow path data Sack/tray inputs MTM data |
| Docket No. R97-1, USPS-LR-H-195 | Sacks per pallet Trays per pallet |
| Docket No. MC96-2, USPS-LR-PRR-7 | Personal, fatigue, and delay (PFD) allowance |
| Docket No. MC95-1, Exhibit USPS-T-9B | Flow paths |
| Docket No. R94-1, Tr. 8/4006 | NDC realization factor |
| FY12 RPW Data | Carrier Route volumes by shape |

The Standard Mail cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY12-3. They are also used to develop the enhanced carrier route (ECR) cost estimates contained in USPS-FY12-18.

The Periodicals destination entry cost avoidance estimates are calculated using the following inputs:

| <u>Input Source</u> | <u>Input Description</u> |
|--|--|
| USPS-FY12-1 | Periodicals pieces per pound |
| USPS-FY12-7 | Volume variability factors Premium pay factors Other mail processing wage rate |
| USPS-FY12-14 | Pieces per sack and pallet Percentage in sacks and on pallets |
| USPS-FY12-23 | MODS productivity data |
| USPS-FY12-25 | Operations specific piggyback factors |
| Docket No. R2006-1, USPS-T-25, page 7 | Volume percentage bypassing DADC |

| | |
|--|---|
| Docket No. R97-1, USPS-LR-H-111 | Productivity data Container conversion factors Flow percentages |
| Docket No. R97-1, USPS-LR-H-132 | Productivity data |
| Docket No. MC95-1, Exhibit USPS-11U | SCF mechanization percentage |
| Docket No. R94-1, Tr. 8/4006 | NDC realization factor |
| Docket No. R90-1, Exhibit USPS-12B | Volume percentage flowing from BMC to SCF Volume percentage flowing from BMC to DU |

The Periodicals cost avoidance outputs are relied upon to develop the discounts and passthrough values contained in USPS-FY12-3.

II. ORGANIZATION

The Standard Mail transportation and non-transportation cost avoidance estimates by shape are presented in the Microsoft Excel workbooks 'USPS-FY12-13.STD_TOTAL.xls,' 'USPS-FY12-13.STD_LETTERS.xls,' and 'USPS-FY12-13.STD_FLATS.xls,' as described above. The results are contained in the 'Summary All Shapes' worksheet in the first workbook (page 1). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 1 below.

The Periodicals non-transportation cost avoidance estimates are presented in the Microsoft Excel workbook 'USPS-FY12-13.PER.xls' in the 'Summary' worksheet (page 113). Data sources are referenced in each spreadsheet throughout the workbook. The results are also reported in Table 2 below.

**Table 1:
Standard Mail Destination Entry
Cost Avoidance Summary**

| Cost Element | Letters Cost Per Pound | Flats Cost Per Pound | NFM's / Parcels Cost Per Pound | Total Cost Per Pound | Total Cost Per Pound (Check) |
|---------------------------|-----------------------------------|---------------------------------|---|---------------------------------|---|
| Transportation | | | | | |
| DDU | \$0.3153 | \$0.2563 | \$1.4273 | \$0.2925 | \$0.2925 |
| DSCF | \$0.2809 | \$0.2209 | \$1.3233 | \$0.2564 | \$0.2564 |
| DNDC | \$0.2460 | \$0.1989 | \$1.0910 | \$0.2271 | \$0.2271 |
| Non-Transportation | | | | | |
| DDU | \$0.1237 | \$0.0266 | \$0.7684 | \$0.0684 | \$0.0684 |
| DSCF | \$0.0742 | \$0.0155 | \$0.6735 | \$0.0439 | \$0.0439 |
| DNDC | \$0.0384 | \$0.0075 | \$0.4222 | \$0.0235 | \$0.0235 |
| Total | | | | | |
| DDU | \$0.4390 | \$0.2829 | \$2.1957 | \$0.3609 | \$0.3609 |
| DSCF | \$0.3551 | \$0.2363 | \$1.9968 | \$0.3002 | \$0.3002 |
| DNDC | \$0.2844 | \$0.2064 | \$1.5132 | \$0.2506 | \$0.2506 |

**Table 2:
Periodicals Destination Entry
Cost Avoidance Summary**

| Cost Element | Cost Per Pound |
|---------------------------|-----------------------|
| Non-Transportation | |
| DADC | \$0.0057 |
| DSCF | \$0.0159 |
| DDU | \$0.0323 |