

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

PERIODIC REPORTING
(PROPOSAL NINE)

Docket No. RM2015-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-19 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(February 23, 2015)**

The United States Postal Service hereby provides its responses to Questions 1-19 of Chairman's Information Request No. 3, issued February 13, 2015. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

Eric P. Koetting

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
February 23, 2015

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

1. In FY 2013, over \$190 million in in-office costs were for city carriers that were clocked to street but for which the In-Office Cost System (IOCS) data collector recorded the sampled employee as being on the premises.¹ The Postal Service Response to CHIR No. 1, question 12 states: "IOCS tallies where the carrier is clocked to the street would be assigned zero cost."² For each of the activities listed in Tables 1-4, please identify which activities will be classified as an in-office time cost and which activities will be classified as a street time cost under Proposal Nine. Also, please provide the rationale for the classification to office or street cost for each of the IOCS listed activities shown in Tables 1-4.

¹ Generally, IOCS question 16A01='B' clocked to street and question 16A02='Y'-on premises (weighted by associated dollar cost weight). The Commission-produced IOCS cost estimates are based on the data provided in Docket No. ACR2013 Library Reference USPS-FY13-37, December 27, 2013/'Data' folder, 'PRCPub13.sas' file. The over \$190 million cost estimate referenced in the question is the sum of the 'Street' column totals shown in Tables 1-3.

² Responses of the United States Postal Service to Questions 1-14 and 17-18 of Chairman's Information Request No. 1, and Status Report on Questions 15-16, November 21, 2014 (Postal Service Response to CHIR No. 1).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

Table 1

**FY 2013 Estimated Costs for IOCS Assigned Activity
of City Carrier Employees On the Premises***

Q16F03A: Activities AT Carrier Case	Clocked Status (Q16A01)		Q16A02 On premises
	Office \$	Street \$	
Preparing Mail for Sequencing/ Loading Ledges	52,659,370	629,332	Yes
Sequencing/Casing Mail	1,456,838,000	17,788,330	Yes
Withdrawing/Pulling Down/Strapping Out Mail (From Carrier Case)	294,956,500	7,521,313	Yes
Handling Undeliverable As Addressed Mail	5,797,065	513,037	Yes
Obtaining or Returning Accountables or Keys	10,405,420	568,163	Yes
Doing an Activity Related to Scanning Delivery Confirmation or Signature Confirmation	5,540,383	188,424	Yes
Leaving or Preparing to Leave for Route	54,002,960	5,158,887	Yes
Returning from Route or Activities Related to Return	7,429,471	2,181,670	Yes
Other Activity	47,537,340	1,462,180	Yes
Total	1,935,166,509	36,011,336	

* See the IOCS description in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'IOCSDataEntryFlowchartFY13.xlsx', 'Q16' worksheet.

Source: The Commission-produced IOCS estimates shown in the table above are based on the data in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'Data' folder, 'PRCPub13.sas' file.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

Table 2

**FY 2013 Estimated Costs for IOCS Assigned Activity
of City Carrier Employees On the Premises***

Q16F03B: Activities AWAY from Carrier Case	Clocked Status (Q16A01)		Q16A02 On premises
	Office \$	Street \$	
Obtaining Mail	120,333,000	1,968,314	Yes
Preparing & Checking Vehicle	185,799,000	5,515,754	Yes
Handling Undeliverable As Addressed	7,487,708	247,403	Yes
Obtaining or Returning Accountables or Keys	42,798,760	2,863,173	Yes
Doing an Activity Related to Scanning Delivery Confirmation or Signature Confirmation	6,268,883	107,954	Yes
Leaving or Preparing to Leave for Route	236,655,900	103,150,900	Yes
Returning from Route or Activities Related to Return	25,542,880	12,618,080	Yes
Other Activity	138,603,600	5,138,136	Yes
Total	763,489,731	131,609,714	
<p>* See the IOCS Description in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'IOCSDataEntryFlowchartFY13.xlsx', 'Q16' worksheet.</p> <p>Source: The Commission-produced IOCS estimates shown in the table above are based on the data in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'Data' folder, 'PRCPub13.sas' file.</p>			

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATON REQUEST NO. 3**

Table 3

**FY 2013 Estimated Costs for IOCS Assigned Activity
of City Carrier Employees Not Handling Mail On the Premises***

Q16F02B: Activity of Employee Not Handling Mail	Clocked Status (Q16A01)		Q16A02 On premises
	Office \$	Street \$	
Handling Empty Equipment or Container	52,179,080	9,746,033	Yes
Participating in Safety/Service Talk	62,610,990	950,356	Yes
Taking a Break or Attending to Personal Needs	416,985,900	12,567,220	Yes
Clocking to Begin or End Their Tour	100,152,400	3,552,227	Yes
**Total	631,928,370	26,815,836	
<p>* See the IOCS Description in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'IOCSDataEntryFlowchartFY13.xlsx', the 'Q16' worksheet.</p> <p>**Note: All possible responses to Q16F02B are not listed nor included in the total costs shown in Table 3.</p> <p>Source: The Commission-produced IOCS estimates shown in the table above are based on the data provided in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'Data' folder, 'PRCPub13.sas' file.</p>			

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

Table 4

**FY 2013 Estimated Costs for IOCS Assigned Loading/Unloading Vehicle Activity
of City Carrier Employees On the Premises***

IOCS Question Cross Tabulation for Loading/Unloading Vehicle (IOCS Activity Code 6422)	Clocked Status (Q16A01)		Q16A02 On premises
	Office \$	Street \$	
Q16F03A: Activities AT Carrier Case			
Leaving or Preparing to Leave for Route	31,088,310	3,272,244	Yes
Returning from Route or Activities Related to Route	4,164,081	921,641	Yes
Q16F03B: Activities AWAY from Carrier Case			
Leaving or Preparing to Leave for Route	115,395,300	46,844,520	Yes
Returning from Route or Activities Related to Route	18,031,130	8,372,266	Yes
Total Estimated Costs for Loading Vehicle (Activity Code 6422)** \$228,089,470	168,678,821	59,410,671	Yes
<p><i>* See the IOCS description in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'IOCSDataEntryFlowchartFY13.xlsx', 'Q16' worksheet.</i></p> <p><i>**The Commission-produced IOCS estimated costs total for activity code 6422-loading/unloading vehicle matches the Postal Service's total shown in Docket No. ACR2013, Library Reference USPS-FY13–32, Revised-2-6-14, February 6, 2014, file 'CS06&7.Revised.xls, worksheet 'Input IOCS', cell M24.</i></p> <p><i>Note: Table 4 is a subset of the same costs presented in Tables 1 and 2 for IOCS questions Q16F03A and Q16F03B with the IOCS final assigned activity code in field f262=6422.</i></p> <p><i>Source: The Commission-produced IOCS estimates shown in the table above are based on the data provided in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'Data' folder, 'PRCPub13.sas' file.</i></p>			

RESPONSE:

In Proposal Nine, tallies where the employee is clocked to the office would be used to develop the in-office costs, while tallies where the employee is clocked to the

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S INFORMATION REQUEST NO. 3

street would not. That determination would not depend on the employee's specific activity.

However, upon review generated by the need to respond to this question, the Postal Service would like to modify the proposal to use tallies for distribution of in-office costs where the carrier appears to be performing an in-office function even though they are clocked to the street. With this modified approach, tallies that would be used for in-office costing would include:

- All activities represented in Table 1, where the carrier is at the carrier case
- The first five activities represented in Table 2, activities where the carrier is most likely within the facility.
- The last three activities represented in Table 3, again where the carrier is most likely within the facility.

Activities that would not be included for distributing in-office costs are those where the carrier may be out of the facility, in the parking area or loading dock. These would include Leaving For or Returning From Route or Other activities while away from the carrier case, or Handling Empty Equipment. Note that the IOCS data collection procedures could be modified to help clarify whether the carrier is inside or outside the facility, and all tallies where the carrier is inside the facility could be used to distribute in-office costs. Essentially the meaning of "On Premises" could be changed to mean only tallies within the facility, excluding the parking area and loading dock, where the employee is typically clocked to the office. (One exception would be Checking the Vehicle, because while that activity does occur in the parking area, the carrier is generally clocked to the office.)

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATON REQUEST NO. 3**

2. In FY 2013, the IOCS final edited activity code reassigned over \$69 million in costs for carriers clocked as in-office but performing activities related to street time. See Table 5. Please explain how these costs would be assigned under Proposal Nine.

Table 5

FY 2013 Estimated Costs for IOCS Assigned 'Street Time'

IOCS Activity Code (IOCS Created Field F262)	Clocked Status (Q16A01)		Q16A02 On premises
	Street \$	Office \$	No
6710-Street Costs**	11,972,724,000	69,313,850	
**Total \$12,042,038,000			

**The Commission-produced IOCS total city carrier street costs estimate matches the Postal Service's total shown in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'FY 13 IOCS CVs public.xlsx' file, worksheet 'City Carrier', cell B67. The same total city carrier street time value is also shown in Docket No. ACR2013, Library Reference USPS–FY13–32, Revised-2-6-14, February 6, 2014, 'CS06&7.Revised.xls' file, '6.0.3' worksheet, cell E48.
Source: The Commission-produced IOCS estimates shown in this table are based on data provided in Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'Data' folder, 'PRCPub13.sas' file.

RESPONSE:

Neither the Street nor the Office portion would be used for costing. Carriers who are delivering mail while Off Premises (in its current sense in IOCS, meaning also not in the parking area nor loading dock) should be clocked to the street.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

3. In the 'TACS Ofc_Str' worksheet of the 'I_FORMS_TACS.xlsx' file in cell E15, the 'TACS' column, 'Total Accrued' row shows over a \$100 million higher value for the SPR routes group and over a \$100 million lower value for the letter routes group (cell E6) than that shown for the respective values in the 'IOCS' column B of this same worksheet.³
- a. To what does the Postal Service attribute these differences? Please include in your response any methodology differences in terms of route group costs development.
 - b. The total city carrier street costs obtained from the TACS and MODS operation codes is greater than the higher bound 95 percent confidence interval value estimated by the IOCS. Please discuss the reasons for the higher total city street costs obtained from the TACS and MODS operation codes.⁴

RESPONSE:

- a. The difference may reflect some miscommunication between data collector and respondent about the nature of the route to which the carrier is assigned.
- b. The total street cost using the TACS and MODS data includes the time after the carrier has clocked to the street but is still in the parking area or on the loading dock loading their vehicles. Time spent on these activities is part of in-office costs in the current methodology.

³ See Library Reference USPS–RM2015–2/1, October 31, 2014, 'I_FORMS_TACS.xls' file, 'TACS Ofc_Str' worksheet.

⁴ See Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, 'FY13 IOCS CVs public.xlsx' file, 'City Carrier' worksheet, cell B67 and (in this docket) Library Reference USPS–RM2015–2/1, October 31, 2014, 'I_FORMS_TACS.xls' file, 'TACS Ofc_Str' worksheet, city carrier street total (cell F7 plus cell F16). The IOCS upper bound 95 percent confidence interval shown in the first referenced file is \$12,112,253,000 and the MODS and TACS city carrier street total is shown as \$12,211,821,000 in the second referenced file.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

4. How were the training and clocking in/out costs for letter routes, SPR routes, and Route 99 determined from the TACS and MODS operation codes?⁵ Please specify the calculation methodology for each value in the 'TACS_Ofc_Str' worksheet cells E11, E12, E20, E21, G11, G12 in the 'I_FORMS_TACS.xls' file provided in Library Reference USPS–RM2015–2/1.

RESPONSE:

The following procedures were used:

1) Assign each carrier tally to the following groups:

- Craft group as either (Full-time, or Part-time/transitional)
- Route group as either (Regular (letter), SPR, or Mixed)
- MODS group as either (Office, or Street)

2) Summarize TACS workhours using similar groupings:

- Craft group as either (Full-time, or Part-time/transitional)
- Route group as either (Regular (LDCs 21,22), or SPR (LDCs 23,27))
- MODS group as either (Office, or Street)

3) Costs for the Mixed route group in IOCS are split into Regular or SPR route groups in proportion to the corresponding TACS workhour percentages for Regular or SPR route groups within each craft and MODS subgroup.

4) Scaling factors are developed so that the percentages of IOCS office and street dollar-weights matches the corresponding percentages of TACS workhours, within each route group and craft group combination.

⁵ There are no specific MODS operation codes listed for these activities in the list of MODS codes provided in the Postal Service Response to CHIR No. 1, question 10 (MODS codes were provided in Library Reference USPS–RM2015–2/2, November 21, 2014, 'Chir1.Q10.MODS.xlsx' file).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

5) The appropriate scaling factor is used to multiply the dollar weights for each IOCS tally.

6) Costs for the various activities such as training and clocking in and out are summed using the adjusted dollar-weights.

The values for the cells requested are from lines 12 and 13 in sheet

OutToCS06&7_Costs in the Excel file "ChIR3.Q4.TACSReplacelOCS.xlsx" attached to this response electronically. The SAS code in the attached rtf file

"ChIR3.Q4.TACSReplacelOCS.SAS.rtf" was used to re-weight the IOCS tallies and aggregate the dollar-weights for the workbook.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

5. In the Petition, the Postal Service states: "The office/street split percentage for letter routes is determined by hours clocked to LDCs [Labor Distribution Codes] 21, 22, and 26. The split for SPR is determined using the hours clocked in TACS to the office and street MODS codes with LDCs 23 and 27."⁶ However, LDCs other than those mentioned in the Petition were included in the Postal Service's response as to how the office and street workhours would be determined in the file 'Chir1.Q10.MODS.xlsx' provided in Library Reference USPS–RM2015–2/2. The following questions relate to the LDCs not mentioned in the Petition (LDCs 28 and 29) and for the MODS codes where route type or office/street workhours are not specified in the operational definition or name.
- a. In LDC 29, three MODS Operation Codes (709-711) are labeled with the Operation Name 'Routers' and another MODS Operation Code (712) has the Operation Name 'Router PM Office Time'. The MODS Handbook describes the 'Routers' operation codes as logging employee workhours used by delivery service employees assigned to router positions, responsible for casing mail for more than one delivery assignment. How does the Postal Service know in which type of route or routes these 'Routers' workhours would be clocked?
 - b. Would all 'Routers' workhours be clocked to office?
 - c. For both LDC 28, MODS operation code 768, operation name 'City Carrier-Tertiary Distribution' and LDC 26, MODS operation code 993, operation name 'Loaned as City Carrier', what type of route would be associated with these workhours?
 - d. How would the Postal Service distinguish whether the workhours are office or street logged to MODS operation codes 768 and 993?

RESPONSE:

- a. In general, workhours for LDCs where the route group is not specified would be split in proportion to the workhours for carriers where route groups are known.

⁶ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Nine), October 31, 2014, Proposal Nine at 2 (Petition).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

However, note that there were only 699 hours in LDC 29 in FY13, an insignificant amount.

b. Yes.

c. In general, workhours where the route group is not specified would be split in proportion to the workhours for carriers where route groups are known. However, note that there were only 9 hours in LDC 28 in FY13, an insignificant amount.

d. In general, workhours where the split of office and street time is not specified would be allocation in proportion to the workhours for carriers where the office/street split is known. Note that there were only 9 hours clocked to these two MODS codes in FY13.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATON REQUEST NO. 3**

6. In the Petition, Proposal Nine at 2, the Postal Services states: "In the administration of delivery operations, loading and unloading vehicles are considered to be street functions. Carriers are trained to be 'clocked to street' whenever they are loading or unloading mail from their vehicle." The same activities, under the current costing methodology, are designated as in-office activities in the IOCS and are reported as office costs. Please discuss the reasons for, and/or the origin of, the distinction in the two definitions.⁷

RESPONSE:

Under the current costing methodology, the In-Office Cost System (IOCS) data collectors and respondents record information about carrier activities while they are still on the premises, including the parking area and loading dock. When loading/unloading costs are captured by IOCS, the logical location for them is cost segment 6 rather than cost segment 7. From an operations perspective, however, office time is largely focused on sequencing the mail for delivery, and is intended to measure the time carriers spend inside the office. Thus, just before carriers go outside to load their vehicles, they clock to street time. Under Proposal Nine, Time and Attendance Collection System (TACS), not IOCS, captures loading/unloading costs which makes this the appropriate time to shift loading/unloading costs to cost segment 7 to align with delivery operations. Of course, the treatment, meaning attribution and distribution, of the loading/unloading costs is the important issue for product costs, not their

⁷ See the table provided in the Postal Service Response to CHIR No. 1, question 5b, the 'Load/Unload while clocked to street' row.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

location. Proposal Nine treats these costs as a support cost with the same attribution and distribution as for regular delivery time in cost segment 7.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

7. In the Postal Service's file, 'I_FORMS_TACS.xlsx', provided in Library Reference USPS–RM2015–2/1, the same percentage (~5.1%) developed from the Form 3999 letter routes is used to determine the street time unloading/loading vehicle time for SPRs.⁸
- a. Does the loading/unloading time for letter routes versus SPRs differ? If yes, please describe the differences.
 - b. Please explain why the same loading/unloading the vehicle percentage from the letter routes group is used for all SPR routes.

RESPONSE:

- a. Since no data exist on the loading/unloading proportion for SPRs, the answer to this question is unknown with any certainty. Due to the different nature of the work between letter route carriers and SPR carriers, however, it is reasonable to expect the load/unload proportions to be different between the two types of routes.
- b. The same proportion is being used for two reasons. One, there is currently no source for the loading/unloading proportion for SPR. Two, since Proposal Nine treats these costs as a support function with the same attribution and distribution as direct SPR time, the relevant proportion does not impact the product costs.

⁸ See Library Reference USPS–RM2015–2/1, October 31, 2014, 'I_FORMS_TACS.xls' file, 'TACS Ofc_Str' worksheet, cell E18.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

8. Please explain the reasons for the wide range in street hour values, as well as the wide range of values in the loading/unloading times for each route contained in the Form 3999 database file submitted in this docket. If the wide range of values for total street time or loading/unloading time relate to the type of route, please describe the letter route differences and explain the rationale for applying the overall letter routes group average rather than an average unloading/loading time by route type to calculate the "FORM 3999 LOADING – to Street Support" in cell E9 in the 'I_FORMS_TACS.xls' file provided in Library Reference USPS–RM2015–2/1.

RESPONSE:

The Postal Service attempts to structure its letter route network so that each route takes approximately eight hours to complete daily. However, the times to complete common activities such as office work, loading/unloading vehicle, driving, and delivering do vary widely across the city letter route network. A primary reason for the variances in street activities within a delivery unit is the variety of socioeconomic factors within a ZIP Code. More often than not, routes in the same ZIP Code are designed around neighborhoods or groups of deliveries with widely varying income levels. Households with higher income levels receive greater volume of mail. The impact of disparate income levels on street activities is large enough so that one neighborhood with the exact same mode of delivery could require substantially more vehicle load time than one with a substantially lower income level.

In addition, routes with the same delivery mode are not necessarily homogenous. The primary delivery mode categories (park and loop, curblin, dismount, and foot) indicate the *predominant* mode of delivery on that route, not the only type of delivery mode on a route. Thus, park and loop routes routinely

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

have multiple curblines sections and vice-versa. Since there are four major route type categories, a route could have as few as twenty-six percent and as many as one-hundred percent of its deliveries using the categorized mode. In fact, a park and loop route with the carrier walking to make sixty percent of its deliveries and driving to curblines boxes to make the other forty percent is likely more similar (assuming equal incomes across route types) in terms of activity times to a curblines route with the opposite composition, than to a park and loop route where one-hundred percent of its deliveries are made with the carrier walking. The heterogeneous nature of routes with the same delivery mode makes comparisons by route type problematic.

The rationale for applying the overall letter routes group average is twofold. One, loading and unloading the vehicle is considered a support activity which is assigned based on other direct assignments of city carrier costs. Thus, it does not have its own variability in aggregate or by route type. Two, the city carrier distribution factors are computed with the ongoing City Carrier Cost System (CCCS) and are done across all letter routes, not separately by letter route type. Please refer to the response to question 19 of this CHIR for a more detailed description of the current methods (which are not impacted by Proposal Nine) CCCS uses to calculate the distribution factors that are used to assign relevant street letter route costs to products.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

9. The Postal Service states that the Form 3999 database contains a route evaluation for nearly all current active city carrier routes.
- a. Please confirm that the route evaluations in the Form 3999 database are based on one employee for one route.
 - b. If not confirmed, please describe how each Form 3999 record in the file 'Chir1.Q6a.xlsx' provided in Library Reference USPS–RM2015–2/2 was developed.
 - c. Are the Form 3999 route evaluations provided in the file referenced above based only on full-time city carrier employee routes?

RESPONSE:

- a. and b. Generally confirmed. The route evaluations listed in the Form 3999 database are primarily a reflection of one employee per one route. Occasionally, commonly on vacant routes, the route evaluation is a compilation of multiple employees on one route. In these instances, the street inspection is conducted over multiple days with different employees which are edited together to create a single route inspection listed in the Form 3999 database.
- c. No. From an operations perspective, each route inspection in the Form 3999 database is a reasonable reflection of the route's requirements on a typical day with normal mail volume. Thus, if a non-career employee is deemed knowledgeable of the route, a street evaluation could be completed with the non-career employee delivering the mail on that route. Also, city delivery operations is tasked with having current street evaluations for all city letter routes, including auxiliaries, not just for those routes handled by full time city carriers.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

10. In various worksheets in the cost segment 'CS06&7.Revised.xls' file provided in Docket No. ACR2013 Library Reference USPS–FY13–32, Revised-2-6-14, the Postal Service labeled the IOCS activity code number 6422 'Loading Vehicle'. What had been labeled 'Loading Vehicle' for activity code number 6422 in previous dockets, now in Proposal Nine, for the same activity code number, the label reads 'Returning/Leaving'.⁹ Please explain the difference between the different labels for the same IOCS activity code number shown in the 'Chir1.Q3b.xls' file, worksheet 'Input CS6' line Nos. 17 and 25 provided in Library Reference USPS–RM2015–2/2.

RESPONSE:

Activity code 6422 has generally been referred to as “Loading Vehicle” as that has been the primary activity by the carrier. But it encompasses a wider range of activities. For example, the IOCS data collection instrument options include “Leaving or Preparing to Leave for Route (Including Preparing to Load or Loading the Vehicle)” and “Returning from Route or Activities Related to Return”. With Proposal Nine, the carrier would still be performing activities related to leaving or returning from their route while clocked to office, but they would not generally be loading or unloading their vehicle, an activity performed while clocked to street.

⁹ See, for example, Docket No. ACR2013, Library Reference USPS–FY13–32, Revised-2-6-14, February 6, 2014, 'CS06&7.Revised.xls', 'Input CS 6' worksheet, line Nos. 17 and 25.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

11. Some IOCS sampled employees were sampled more than once in FY 2013 and were recorded by the data collector to be assigned or assisting both a letter route and an SPR.¹⁰
- a. Under the proposal, how would employees who work or assist both letter and SPR routes in the same fiscal year be identified in the TACS and MODS operation codes?
 - b. How would the annual workhours of employees who are not assigned a specific route (*e.g.*, Routers) be assigned to a route group given that the route group work appears to have differed during the fiscal year?
 - i. How would these employees' annual office costs be determined?
 - ii. How would these employees' annual street costs be determined?

RESPONSE:

- a. TACS records the individual clock rings for each employee, and thus can tabulate the total time that each employee spends on each route group over the course of the year.
 - b. i) In general, workhours not assignable to a specific route type would be split in proportion to workhours for carriers where the route type is known. For routers, all of their workhours would be treated as in-office.
 - ii) In general, workhours where the office/street status is not known would be split in proportion to workhours of carriers where office/street status is known.
- Also, please refer to the response to question 5.

¹⁰ See the cross-tabulation based on the IOCS question 1-Employee Identification Number and the IOCS created variable F260-Final Route Code in Docket No. ACR2013, Library Reference USPS-FY13-37, December 27, 2013, FY 2013 IOCS data file 'PRCPub13.sas'.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

12. The IOCS questions identify activities, routes, and transportation types associated with overtime costs. The IOCS shows that overtime costs vary by specific route and transportation type (e.g., 'Residential–Park & Loop').¹¹ If the mix of mail continues to differ by route and transportation type, please explain the rationale for using one overall letter route group for each route and transportation type and one overall SPR route group for each specific SPR route to distribute costs to products within route/transportation types.

RESPONSE:

Overtime recorded by IOCS is not used directly in the cost estimation process. For some route types, there are very few in-office tallies where the employee is handling a mailpiece and a product-level activity code is obtained. For example, in FY13, there were only four direct handling tallies in route type 89, Relay Route. For such route types, there is some risk that there will be no products to which to distribute mixed mail tallies, and therefore it is better to use the entire route group for the distribution of mail. Within the letter route group, 84 percent of the costs are due to only two route types, Residential Curb (77) and Residential Park and Loop (78), that have similar mail mixes.

¹¹ See the cross-tabulation results Docket No. ACR2013, Library Reference USPS–FY13–37, December 27, 2013, using IOCS question Q06D=1 for 'Pay Option Status'-'Overtime Status' and the IOCS created variable F260 for the final route code (route code = 78-'Residential – Park & Loop') in the FY 2013 IOCS data file 'PRCPub13.sas'.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

- 13.** Do all Delivery Units and Post Offices/Stations/Branches, including those that do not perform mail processing operations, use the same MODS codes as those proposed by the Postal Service for the route groups and office/street split? If not, for those offices that do not use the same MODS codes, how does the Postal Service plan on determining:
- a. Office versus street workhours; and
 - b. 'Letter' routes versus 'Special Purpose' routes?
 - c. For the proposed letter route group, will only the TACS LDC codes be used to determine the office and street workhours split? If not, please specify how and when the MODS operation codes would be used.

RESPONSE:

Yes, the MODS codes are used at all office nationally.

- a. and b. Not applicable.
- c. Confirmed.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

14. Please refer to worksheet '7.0.4.1' in cell I10 of the 'Chir1.Q3b.xls.' file in Library Reference USPS–RM2015–2/2, November 21, 2014.
- a. Please confirm that the “total” street cost value of \$11,094,803,000. If not confirmed, please explain.
 - b. Please confirm that the “total” street cost value of \$11,094,803,000 in the worksheet referenced in the introductory portion of this question matches the “\$11,094,803,000” shown in Library Reference USPS–RM2015–2/1, October 31, 2014, 'I_FORMS_TACS.xls.' file, worksheet 'TACS Ofc_Str', column E labeled “TACS, Loading Subtracted from Total Street,” cell E7. If not confirmed, please explain.
 - c. Please reconcile why both referenced cells include the same value, even though one cell, based on its label, reflects a subtraction from total costs.
 - d. In the reconciliation, please specify which worksheets are affected and how they are affected.

RESPONSE:

- a. Confirmed. However the row title workbook 'Chir1.Q3b.xls', worksheet '7.0.4.1', cell B10 is misleading. It should read 'Total Street Costs Minus Loading/Unloading Costs'.
- b. Confirmed.
- c. The apparent mismatch is explained by the unclear row description in cell B10 in workbook 'Chir1.Q3b.xls', worksheet '7.0.4.1'. The row title of 'Total Street Costs' should be 'Total Street Costs Minus Loading/Unloading Costs'. The figures in cells I10 and E7 in the respective worksheets are equal because they both are equal to the total street costs minus the loading/unloading costs. This is shown as the formula in cell I15 of worksheet '7.0.4.1' links to cell E9 of workbook 'I_FORMS_TACS.xls', worksheet 'TACS Ofc_Str.xls'. The formula in

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

cell I10 of worksheet '7.0.4.1' is computed using the figure in cell I15 of the same worksheet.

d. Not applicable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

- 15.** Please explain the rationale for including the foot route costs in the calculation of the final vehicle use ratios shown in worksheet '7.0.4.5' in the 'Chir1.Q3b.xls' file (provided in Library Reference USPS–RM2015–2/2) cells G14 and G15.¹²

RESPONSE:

The rationale for including foot route costs in the calculation of the final vehicle use ratios in worksheet 7.0.4.5 in file Chi1.Q3b.xls is that foot routes have vehicle support for relays. Since the new method would thus account for vehicle use on foot routes, it is an improvement over the existing approach.

¹² The current methodology does not include foot route costs in the calculation of the final vehicle use ratios. The same final vehicle use ratios referenced in this question are used as inputs to the cost segment 12-motor vehicle services worksheet '12.0.3' in the 'Chir2.CS12_TACS.xls' file (provided along with the Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 2, November 28, 2014, question 1).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

16. Please refer to the worksheet 'Outputs to CS' in the 'Chir1.Q3b.xls' file (provided in Library Reference USPS–RM2015–2/2) cells B16-F19. Please explain how the 'DOIS Percentage of Workhours' for the office and street workhours for both motorized and foot routes were derived. Please include in your response if and how the LDC and MODS operation codes on the list provided in the Library Reference USPS–RM2015–2/2 'Chir1.Q10.MODS.xlsx' file were used to obtain the office and street workhour percentages for motorized and foot routes.

RESPONSE:

The DOIS Percentage of Workhours do not directly use LDC and MODS

Operations, but query DOIS data after it has processed TACS data. The data

was obtained using the following query:

```
select q.deliverymethodcode, q.residentialbusinessclasscode,  
Sum(p.ActualStreetHoursAmount) as ActualStreetHoursAmount,  
Sum(p.ActualOfficeHoursAmount) as ActualOfficeHoursAmount  
FROM EDWDELVRYPRODVIEW.DoisDailyRoutePerformance p  
JOIN EDWDELVRYPRODVIEW.DoisRouteBaseInfo q  
ON q.routezipcode = p.routezipcode  
and q.routenumber = p.routenumber  
where p.servicedate between DATE '2012-10-01' and DATE '2013-09-30'  
GROUP BY q.deliverymethodcode, q.residentialbusinessclasscode
```

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

17. The Postal Service Response to CHIR No. 1, question 7(c) states that TACS can be used to separate time spent on letter routes and special purpose routes, but it cannot be used directly to identify specific route types. Currently, costs for mixed-mail codes are distributed to classes of mail and special services by basic function within specific route code in proportion to costs for direct mail codes.¹³ The Postal Service has explained that this distribution process respects the tendency of the mix of mail classes to vary among route types. *Id.* The SAS programs in Docket No. ACR2013, Library Reference USPS–FY13–37 (ALBCARMM) and in Library Reference USPS–FY13–19 (Delivery Costs) distribute mail costs according to a specific route and transportation type (rather than by a single consolidated group for all letter routes and another single consolidated group for all special purpose routes as proposed).¹⁴ Please explain the differences in the mix of mail by route and transportation type and the changes that resulted in the inclusion of component seven in Proposal Nine.

RESPONSE:

In practice, the difference between the two methods of distributing mixed mail costs is not statistically significant. Refer to Table 1 below, which has the 95 percent confidence interval from the ACR2013 for the cost estimates for cost segment 6.1, and new cost estimates developed using route group rather than route type. All of the new cost estimates fall well within the 95 percent confidence interval.

Furthermore, as of FY 2008, route type is no longer used to distribute costs in cost segment 7, and Proposal Nine is consistent with that methodology change.

Also, please refer to the response to question 19.

¹³ See USPS Periodic Report, Summary Description of USPS Development of Costs by Segments and Components, FY 2013, July 1, 2014, at 6-3, section 6.1.4.

¹⁴ These Library References in Docket No. ACR2013 contain SAS programs that perform calculations that appear to be dependent on specific IOCS tallies grouped by CAG, finance group, route-transportation type, activity and basic function.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

Table 1: Impact of mixed mail distribution using route groups instead of route types on C/S6.1 cost estimates

Product	ACR FY13 Cost Segment 6.1, Distributed by Route Type				CV	Distributed by Route Group	
	Cost Est. (\$000)	95% Lower Limit	95% Upper Limit	Cost Est. (\$000)		% Diff	
003 FC SP Letters	\$374,345	\$354,971	\$394,907	2.72%	\$373,446	-0.24%	
004 FC SP Cards	\$22,862	\$18,840	\$26,832	8.92%	\$22,813	-0.22%	
008 FC Prst Letters	\$289,347	\$273,138	\$305,825	2.88%	\$289,563	0.07%	
009 FC Prst Cards	\$12,550	\$9,866	\$15,198	10.84%	\$12,645	0.76%	
016 FC SP Flats	\$70,987	\$63,906	\$78,147	5.12%	\$70,790	-0.28%	
017 FC Prst Flats	\$56,926	\$51,053	\$62,772	5.25%	\$57,318	0.69%	
019 FC SP Parcels	\$13,292	\$10,536	\$16,093	10.66%	\$13,090	-1.52%	
021 STD ECR HD/SAT Letters	\$20,126	\$16,813	\$23,503	8.48%	\$20,018	-0.54%	
022 STD ECR HD/SAT Flats/Parcel	\$57,606	\$51,594	\$63,886	5.44%	\$57,853	0.43%	
023 STD ECR Carrier Route	\$266,320	\$252,147	\$281,457	2.81%	\$267,112	0.30%	
024 EDDM-R	\$557	\$0	\$1,111	51.83%	\$571	2.51%	
025 STD REG Letters	\$318,492	\$302,361	\$334,968	2.61%	\$318,402	-0.03%	
026 STD REG Flats	\$296,682	\$281,675	\$312,383	2.64%	\$298,652	0.66%	
027 STD REG Parcels/NFM	\$5,249	\$3,602	\$6,951	16.27%	\$5,279	0.57%	
031 PER In County	\$10,709	\$8,137	\$13,350	12.42%	\$10,769	0.56%	
032 PER Outside County	\$203,898	\$191,711	\$216,889	3.15%	\$205,017	0.55%	
041 PKG Parcel Post	\$2,136	\$960	\$3,371	28.79%	\$1,999	-6.44%	
042 PKG BPM Flats	\$8,324	\$6,231	\$10,451	12.93%	\$8,391	0.81%	
043 PKG BPM Parcels	\$5,853	\$4,052	\$7,753	16.13%	\$5,622	-3.95%	
044 PKG Media	\$4,910	\$3,167	\$6,659	18.14%	\$4,614	-6.03%	
085 USPS	\$30,913	\$26,499	\$35,300	7.26%	\$30,776	-0.44%	
086 Free Mail	\$3,200	\$1,861	\$4,586	21.72%	\$3,170	-0.93%	
Competitive	\$133,318	\$123,855	\$143,020	3.67%	\$131,439	-1.41%	
International	\$13,528	\$10,749	\$16,355	10.57%	\$13,558	0.22%	

Sources: ACRFY13 cost estimate, 95% confidence interval and CV for C/S6.1 from USPS-FY13-37, "FY13 IOCS CVs public.xlsx", sheet City Carrier.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

18. In the portion of the Postal Service Response to CHIR No. 1 providing a status report on two questions, it stated: "Nonetheless, one can speculate that since the direct impact on unit costs in Cost Segments 6 and 7 is relatively small, one would likewise not expect much of an indirect impact on the results presented in the cost by shape model in folder 19, wherein the Cost Segment[s] 6 and 7 costs are only part of the costs considered." Postal Service Response to CHIR No.1 at 2. The following questions relate to the Postal Service's use of a single scaling factor in the 'Input CS6' worksheet of the 'Chir1.3b.xls' file provided in Library Reference USPS–RM2015–2/2.¹⁵
- a. How does the Postal Service know that the distribution keys would be in the same product proportions as those in the original 'InputCS6' worksheet cells C40-C94?¹⁶
 - b. How does the Postal Service know that the impact of Proposal Nine would be a 3.3 percent decrease for each product and special service cost shown in the 'Input CS6' worksheet cells C40-C94?

RESPONSE:

- a. The distribution keys with the new methodology would not be in exactly the same proportions as in the original ACR. However, the magnitudes of the impacts due to the differences would be small. For tallies where the carrier was clocked to the street while on the premises (including the parking area and loading dock), over 55 percent of the tallies were activities where the employee was not handling mail, while over 25 percent were mixed mail tallies that are distributed back to products.

¹⁵ The scaling factor is shown in Library Reference USPS–RM2015–2/1, October 31, 2014, 'I_FORMS_TACS.xls' file, worksheet 'TACS Ofc_Str', cell F28.

¹⁶ The Postal Service used the same values as those filed in the comparable file and worksheet in Docket No. ACR2013 and reduced each product row value by approximately 3.3% in cells C40-C94 to show the change in this worksheet under the Proposal Nine methodology in Docket RM2015-2.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

Furthermore, if the alternative methodology discussed in the response to Question 1 were adopted, the differences in distribution keys would be even smaller.

- b. The 3.3 percent is a simplifying approximation based on the overall decrease in the costs assigned to in-office costs using the new methodology. It implicitly assumes that the distribution of products handled while clocked to the street is the same, which is appropriate for costs associated with mixed mail tallies and where the carrier is not handling mail. Note that this approximation is only being used for the exercise of evaluating the impact of the proposal, while the full implementation would use individual IOCS tallies.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

19. The relevant street costs are distributed to mail products based on the mail volumes collected in the City Carrier Cost System (CCCS) by stop type.¹⁷ The worksheet '7.0.8' in the 'Chir1.Q3b.xls' file provided in Library Reference USPS-RM2015-2/2 is labeled "WS 7.0.8 Develop Dist Keys W/CCS Vol" with column headers: 'CURBLINE', 'DISMOUNT', 'FOOT', 'PARK & LOOP' and 'OTHER' and appears to present the same volumes provided in the comparable file in Docket No. ACR2013.
- a. Please describe how, under the existing methodology, the CCCS distribution key volumes were developed and which CCCS volume distribution key groups were applied to the specific IOCS route-transportation type group street costs.
- b. Please describe how, under the proposed methodology, the CCCS distribution key volumes will be developed and which CCCS volume distribution key groups will be applied to the TACS letter and SPR route group street costs.

RESPONSE:

a. and b. Under the current methodology, relevant street costs are not assigned to products based on stop type distribution factors. The City Carrier Cost System (CCCS) was redesigned in FY 2008 to align with the city letter route street cost model approved by the Commission in Docket No. R2006-1. Proposal Nine has no impact on the methods used to compute the CCCS distribution factors for either letter routes or SPR. The methods used to compute the distribution factors for letter routes are fully explained in Docket No. ACR2008, USPS-FY08-34. The methods used to compute the distribution factors for delivered volumes on SPR

¹⁷ See Docket No. R2006-1, Direct Testimony of Thomas W. Harahush on Behalf of the United States Postal Service, May 3, 2006, at 2 (USPS-T-4); and Docket No. R2006-1, USPS-LR-L-11 CCCS Statistical and Computer Documentation, May 3, 2006, at 40, which lists the same route-transportation type groups as those assigned by the IOCS for relevant street costs in the IOCS-created field F260. (See Docket No. ACR2013, Library Reference USPS-FY13-37, December 27, 2013, 'IOCSDataDictionaryFY13' file, 'Mainframe Layout' worksheet, 'Multipurpose Final Process Fields' section).

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 3**

are fully explained in Docket No. ACR2009, USPS-FY09-34. Much of the old structure of the city street cost model (one that assigned costs by stop type) was maintained in the new street model (CS06&7.xlsx) simply to make the transition between the two easier.