

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

PERIODIC REPORTING
(PROPOSAL NINE)

Docket No. RM2015-18

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
REGARDING PROPOSAL NINE
(September 22, 2015)

Order No. 2655 (August 11, 2015) set the dates of September 8, 2015 for Initial Comments on Proposal Nine, and September 22, 2015 for Reply Comments. The only initials comments submitted were those of the Public Representative, filed on September 10 with a motion for late acceptance. The Postal Service hereby replies to the comments of the Public Representative.

The Public Representative “does not support” Proposal Nine, but apparently only because he questions very specific details of the refined Periodicals model. PR Comments at 2-4. While he may be technically correct to suggest that there is a subset of 5-Digit pallets that would be handled differently than the flows indicated in Docket No. RM2015-18 workbook PER_OC_Order 2472-7, worksheet “5-DIGIT PALLETS,” this subset is so small as to be virtually nonexistent. Moreover, the effects of the slight differences in handling have not been modeled correctly by the Public Representative. These rare occurrences would have virtually no effect on measured costs, and their inclusion would unnecessarily complicate an already complicated model.

The Public Representative apparently fails to recognize the full significance of the composition of the set of pallets referred to as 5-Digit pallets, which contains three

subsets: CR-RTS pallets¹ – pallets that contain only Carrier Route bundles; 5-Digit Merged pallets² – pallets that principally contain Carrier Route bundles but are allowed to contain residual 5-Digit bundles so long as the 5-Digit residual does not exceed 5 percent of the contents of the pallets; and 5-Digit Presort pallets³ – pallets that are composed of 5-Digit bundles. Although 0.5 percent of the pieces on 5-Digit pallets are not Carrier Route, most of the 5-Digit pieces are found on 5-Digit merged pallets that operationally are treated identically to CR-RTS pallets. It is incorrect to assume that the entirety of the 0.5 percent is contained on 5-Digit Presort pallets. In Q2 FY2015,⁴ the distribution of these subsets were:

CR-RTS	35.2601 percent
5-Digit Merged	64.7077 percent
5-Digit Presort	0.0321 percent.

The rarity of the 5-Digit Presort pallet is due to the minimum requirements for the creation of 5-Digit pallets, and the minimum requirements for the creation of Carrier Route bundles. In order to create a 5-Digit pallet, a customer must have at least 250 pounds of mail to a 5-Digit zone or a 5-Digit Scheme (Labeling List L001), and only 6 pieces are needed to qualify as a Carrier Route bundle. As the average weight of an Outside County Periodical is less than 6 ounces, most publications would need at least 500 pieces in order to meet the minimum 250 pound for a 5-Digit pallet. These pieces would be distributed across the routes in the zone, but because 87 percent of 5-Digit zones have less than 30 routes and 97 percent of 5-Digit zones have less than 50

¹ Mail.dat CSM file Container Level codes B and D.

² Mail.dat CSM file Container Level codes H and Q.

³ Mail.dat CSM file Container Level codes G,H,M,N and O.

⁴ Unweighted proportions of 5-Digit pallets by CR-RTS, Merged, and 5-Digit Presort from the set of Q2 FY2015 Mail.dat submitted through the eVS system.

routes, only in rare instances is it possible for a zone to qualify for the creation of a 5-Digit pallet and still have the vast majority of the mail on that pallet not be carrier route. Consequently, 5-Digit Presort pallets are extremely rare.

The 5-Digit presort pallets that do exist would incur costs different from those implied by the Public Representatives modification to workbook PER_OC_Order 2472-7, worksheet "5-DIGIT PALLETS". Necessary corrections to the Public Representatives proposed method are made in the workbook "Attach.Reply.PER_OC_Order 2472-7.xlsx" (attached to this pleading electronically), and include the costs of working 5-Digit Presort pallets at the DSCF, and changes to flows. With these corrections, the inclusion of explicitly modeling 5-Digit Presort pallets changes the modeled costs of 5-Digit pallets by amounts ranging from zero to 0.033 percent.

The cost grouping "Entered Upstream and Worked at ADC/SCF" involves 5 modeled activities:

- 1) Loading pallet at upstream facility
- 2) Unloading pallet at DSCF
- 3) Transportation to bundle sorting operation
- 4) Dumping pallet
- 5) Empty pallet handling

Because the bundles on the 5-Digit presort pallet are already presorted to piece distribution scheme, the pallet would be taken directly to a flats prep operation, and would not incur dumping costs at the bundle distribution operation. Modified costs of working 5-Digit Presort pallets are presented in the attached Excel file, worksheet "PALLET COSTS", cells AQ9 – AR36⁵.

⁵ It is assumed that 5-Digit Presort pallets would not destinate in a manual Incoming Secondary zone, because a necessary condition for the creation of 5-Digit Presort pallets is a large number of routes to distribute the required 250 pounds of mail across

These 5-Digit pallets would not be worked at a facility serving in the ADC capacity. If the 5-Digit pallet is to be worked, it would be in the SCF service territory of the ADC facility. Finally, 5-Digit Presort pallets entered at the DDU would likely not be transported back to the SCF for piece distribution. Instead, pieces would be distributed manually at the Delivery Unit, and, therefore, there is no change to modeled costs for DDU entered pallets.

Inserting a more accurate measure of the 5-Digit Presort pallet incidence, correcting the costs by 5-Digit presort pallets worked in the facility, and correcting the flow of these pallets collectively yields insignificant cost differences between CR-RTS pallets and other 5-Digit pallets⁶.

The concerns raised by the Public Representative provide no sufficient basis to alter the models submitted by the Postal Service. Therefore, despite the reservations of the Public Representative, the Postal Service respectfully urges the Commission to approve Proposal Nine.

Respectfully submitted,

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routes without exceeding CR bundle minimums. Manual Incoming Secondary zones have few routes served.

⁶ See attached Excel file, worksheet "5-Digit Pallets Alt"