

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Three)

Docket No. RM2016-11

CHAIRMAN'S INFORMATION REQUEST NO. 1

(Issued September 9, 2016)

To clarify the Postal Service's petition to consider changes in analytical principles (Proposal Three), filed August 22, 2016,¹ the Postal Service is requested to provide written responses to the following questions and requests. Answers to each question and the requested information should be provided as soon as they are developed, but no later than September 16, 2016.

1. Please refer to Library Reference USPS–RM2016–11/1, “IOCSClusterfolder_Public” folder, “I_FORMS-FY16Q2Q3-Cluster.xlsm” and “CS06&7-FY16Q2Q3-Cluster.xlsx” files, and Library Reference USPS–RM2016–11/NP1, “IOCSClusterfolder_NonPublic” folder, “I_FORMS-NP-FY16Q2Q3-Cluster.xlsm” and “CS06&7-NP-FY16Q2Q3-Cluster.xlsx” files.²
 - a. Please confirm that these workbooks assume implementation of Proposal Nine.³ If confirmed, please provide the “I_FORMS-FY16Q2Q3-Cluster.xlsm” and “CS06&7-FY16Q2Q3-Cluster.xlsx” workbooks filed in Library Reference USPS–RM2016–11/1 and the “I_FORMS-NP-

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Three), August 22, 2016 (Petition, Proposal Three).

² Library Reference USPS–RM2016–11/1 – Public Material Relating to Proposal Three, August 22, 2016; Notice of Filing USPS–RM2016–11/1, USPS–RM2016–11/NP1, and Application for Nonpublic Treatment, August 22, 2016.

³ See also the “Changes” tab in the referenced workbooks which list changes related to Docket No. RM2015-2, Proposal Nine (Proposal Nine).

FY16Q2Q3-Cluster.xlsm” and “CS06&7-NP-FY16Q2Q3-Cluster.xlsx” workbooks filed in Library Reference USPS–RM2016–11/NP1, assuming Proposal Nine has not been implemented.

- b. If the Postal Service is unable to provide the requested information:
 - i. Please explain why the information cannot be provided.
 - ii. Please provide the public and non-public workbooks showing which costs and structural workbook changes were made as a result of Proposal Nine and which were made as a result of Proposal Three.
 - c. Please provide the referenced workbooks with results using the current methodology for the same time period as the Proposal Three data (Fiscal Year (FY) 2016, Quarters 2 and 3). If unavailable, please explain.
2. The Postal Service states that “[In-Office Cost System (IOCS)]-Cluster data collection procedures take advantage of one of the elements of Proposal Nine ([Docket No.] RM2015-2) in which data on carriers’ street time is obtained from [the Time and Attendance Collection System (TACS)] census system rather than estimated by IOCS.” Petition, Proposal Three at 7.
- a. Please confirm that Proposal Three does not depend on the prior approval of Proposal Nine.
 - b. If not confirmed, please explain the relationship between Proposal Three and Proposal Nine.
3. Please refer to Library Reference USPS-RM2016-11/1, folder “IOCSClusterFolder_Public,” “ImpactTablesForIOCSCluster_Public” worksheet. For all hardcoded numbers in Tables 1 through 4 (in tabs 1-4), please provide direct links or references to the input data files.
4. Please provide the IOCS data collector instructions and Postal Service’s Statistical Programs’ policy memoranda for the data coding, data collection, and

sampling methodology for the IOCS-Cluster design. See Petition, Proposal Three at 5-7, 9-10.

5. Please provide a current version of Handbook F-45, Data Collection User's Guide for In-Office Cost System and any subsequent updates not reflected in the current version of Handbook F-45 used under the current IOCS methodology.
6. Please refer to Docket No. ACR2015, Library Reference USPS–FY15–37, December 29, 2015, "USPS-FY15-37" folder, "MASTER.CODES.FY15" file. The Postal Service stated that this file contained "Activity Codes Used for Processing Fiscal Year 2014." Docket No. ACR2015, Library Reference USPS–FY15–37, December 29, 2015, "MASTER.CODES.FY15" file.
 - a. Please provide a "MASTER.CODES" file that contains the activity codes used to process FY 2015 data.
 - b. Please indicate which FY 2015 activity codes differ from those activity codes used to process the Proposal Three data.
7. Please refer to the Computerized On-Site Data Entry System (CODES)⁴ software flowchart depiction in Docket No. ACR2015, Library Reference USPS–FY15–37, "IOCSDataEntryFlowchartFY15.xlsx." Please provide a similar flow chart depiction for Proposal Three IOCS data collection or CODES software.
8. The Postal Service proposes two alternative methods related to afternoon carrier in-office time. Petition, Proposal Three at 3. "The recommended alternative is to treat all afternoon carrier in-office time from TACS as Support time, and therefore conduct no readings in the afternoon" whereas, for "the less preferred alternative, afternoon readings are clustered together into one-hour intervals and are all conducted by telephone." *Id.*

⁴ CODES is the IOCS data collection software used by IOCS data collectors that automatically and electronically executes the appropriate question and instruction sequence given the information entered. See USPS Handbook F-45, Data Collection User's Guide for In-Office Cost System, July 21, 2009, at iii, http://www.prc.gov/docs/63/63811/F45_Handbook.pdf.

- a. Please provide the rationale for each alternative and include supporting workpapers.
 - b. Please explain why the recommended alternative is better than the less-preferred alternative.
 - c. Please identify the workbook tabs and cell locations showing where and how the Postal Service incorporated either proposed alternative methodology in the workbooks provided in Library Reference USPS–RM2016–11/1 and Library Reference USPS–RM2016–11/NP1.
 - d. Please confirm that these proposed alternative methodologies apply only to the letter route group and not the Special Purpose Routes (SPR) group. If not confirmed, please explain.
9. For carriers clocked to SPRs, the Postal Service offers two alternative methodologies related to collecting in-office cost data. Petition, Proposal Three at 4. “The recommended alternative is to treat all in-office SPR time from TACS as support time for the street, and use the distribution keys from the City Carrier Cost System” and its “less preferred alternative [is] us[ing] sample readings to construct the distribution key for SPR In-Office time.” *Id.*
 - a. Please provide the rationale for each alternative and the supporting workpapers.
 - b. Please explain why the recommended alternative is better than the less-preferred alternative.
 - c. Please identify the workbook tabs and cell locations showing where and how the Postal Service incorporated either proposed alternative methodology in the workbooks provided in Library Reference USPS–RM2016–11/1 and Library Reference USPS–RM2016–11/NP1.

- d. Please confirm that these proposed alternative methodologies apply only to the SPR group and not the letter route group. If not confirmed, please explain.
 - e. Please explain whether the Postal Service considered telephone sampling as a method to collect SPR group in-office costs data. If not considered, please explain why not. Please discuss whether telephone sampling would be a suitable method to collect SPR group in-office costs data.
 - f. In reference to collecting SPR group in-office costs data, the Postal Service states that it expects “difficulty in obtaining a sufficiently large sample of readings with mailpieces.” Petition, Proposal Three at 10. Please describe what the Postal Service would consider to be a “sufficiently large” sample size such that the Postal Service would not treat SPR in-office time as a support activity and use a street distribution key. Please explain and provide any supporting workpapers.
10. Please refer to Table 4: IOCS-Cluster Impact on Product Costs. Petition, Proposal Three at 18.
- a. Please provide the assumptions used to calculate costs under the IOCS-Cluster data collection system.
 - b. Please confirm that the Postal Service calculated afternoon in-office costs and SPR in-office costs using its recommended alternatives and not its less-preferred alternatives. If not confirmed, please explain.
 - c. If part b is confirmed, please provide alternate Table 4 using its less-preferred alternatives. If this information is unavailable, please explain.
 - d. Please identify the products for which the Postal Service considers the difference between product cost estimates based on the Proposal Three pilot data and estimates based on the current IOCS data to be statistically significant.

- e. For each identified product in response to part d, please explain the basis for the Postal Service's determination.
 - f. For each identified product in response to part d, please discuss the differences and the reasons for the differences between the current methodology and the Proposal Three methodology that contributed to or caused the statistically significant shift in product costs. If the statistically significant shift in product costs was due to other factors, please identify and discuss these other factors.
11. The Postal Service states that "Table 4...compares the costs for cost segments 6 and 7 and for total CRA costs, for FY 2016 Q2 and Q3." *Id.* at 16.
- a. Please confirm that columns "FY2015 Total Attributable" and "Revised FY2015 Total Attributable" provide attributable costs for FY 2015 (as indicated in column headings) and not attributable costs for FY 2016 Quarters 2 and 3 (as stated in the above-referenced quote).
 - b. If confirmed, please provide the total attributable costs and revised attributable costs for FY 2016 Quarters 2 and 3.
 - c. If not confirmed, please clarify what data are provided in columns "FY2015 Total Attributable" and "Revised FY2015 Total Attributable."
 - d. Please indicate if the implementation of IOCS-Cluster design would affect costs for CRA cost segments other than cost segments 6 and 7. If applicable, please provide the effect of the IOCS-Cluster design implementation on each of those cost segments.
12. The Postal Service states that "[s]ince the IOCS-Cluster design does not use [a cost ascertainment group (CAG)], the proposed methodology distributes mixed mail within route group and basic function only." *Id.* at 12. Please explain why the Postal Service chose to distribute mixed mail within route group and basic

function only, instead of distributing mixed mail by zone, and provide the supporting workpapers.

13. The Postal Service states that “the current design of IOCS-Cluster does not include testing on Sundays since carriers do not work regular letter routes on Sundays.” *Id.* at 11. Further, it asserts that “[t]he number of in-office hours for letter routes on Sundays is too small to justify on-site sampling on Sundays.” *Id.*
 - a. Please discuss the benefits of sampling in-office hours for letter routes on Sundays.
 - b. Please identify the minimum number of in-office hours for letter routes on Sundays that would justify on-site sampling on Sundays.
 - c. Please confirm that in-office work and the types of products delivered on Sundays differ from in-office work and deliveries on other days. If confirmed:
 - i. Please discuss how the effects of these differences were taken into consideration when deciding against sampling in-office costs for Sunday letter routes.
 - ii. Please explain how the Postal Service plans to adjust or account for no sampling on Sundays and, if available, provide supporting workpapers.
 - d. Please explain whether the Postal Service considered telephone sampling as a method to collect Sunday in-office costs data. If not considered, please explain why not. Please discuss whether telephone sampling would be a suitable method to collect Sunday in-office costs data.
14. Please refer to the “Estimation” section of Proposal Three. *Id.* at 22-25. Please provide a similar explanation of how the Postal Service would develop cost estimates for the activities of carriers working in-office who are assigned to SPRs

under the IOCS-Cluster method if sampling for SPR in-office costs was continued.

15. The Postal Service states that “[t]he recommended alternative is to treat all in-office SPR time from TACS as support time for the street, and use the distribution keys from the City Carrier Cost System (CCCS).” *Id.* at 4. The Postal Service also proposes that Sunday city carrier hours, 95 percent of which are clocked to SPRs, be distributed per the SPR street distribution key. *Id.* at 11. In Docket No. ACR2015, Library Reference USPS–FY15–34, the Postal Service provided three CCCS files that could potentially be used as “the distribution keys.”⁵ One file contains the SPR street distribution key, another contains the CCCS street distribution keys, and another contains the “Collection” mail volumes.
- a. Please specify which distribution key(s) the Postal Service plans to apply to Monday through Saturday workhours and costs and provide the rationale and supporting workpapers for the selected distribution key(s).
 - b. Please confirm that Sunday city carrier hours and costs would be distributed to products using the SPR street distribution key. If not confirmed, please explain.
 - c. Please specify which CCCS street distribution keys would be used for SPR in-office time accrued for LDC 27 (collections). Please provide the rationale and supporting workpapers for the selected distribution keys.
16. Please provide the following additional information for the sampling design under the proposed methodology.
- a. Parts i-iii below apply to zones with six or more routes.

⁵ Docket No. ACR2015, Library Reference USPS–FY15–34, December 29, 2015, “FY15_SPR_CVs_Public_Final;” “CCCS_CVs_FY15_Public_Final;” and “CCCS_FY2015_Collection_Final_Public” files.

- i. Please specify the number of zones with six or more routes sampled.
 - ii. Please explain how the methodology for selection ensures that the sampled zones represent the universe of zones with six or more routes.
 - iii. Please specify whether and indicate which stratification techniques were employed.
- b. Parts i-iii below apply to zones with five or fewer routes.
- i. Please specify the number of zones with five or fewer routes sampled.
 - ii. Please explain how the methodology for selection ensures that the sampled zones represent the universe of zones with five or fewer routes.
 - iii. Please specify whether and which stratification techniques were employed.
- c. Please provide the specific sampling rates or probabilities of selection for:
- i. The two city carrier craft groups
 - ii. The days of the week
 - iii. The types of zones
 - iv. The time bins
- d. If there are no specific sampling rates for the items listed in part c above, please explain how the Postal Service selects the sample such that the resulting sample is representative of:
- i. The two city carrier craft groups
 - ii. The days of the week

- iii. The types of zones
 - iv. The time bins
 - e. Please explain how the Postal Service selects the sample such that the resulting sample is representative of all:
 - i. CAG levels
 - ii. Geographic areas
 - iii. Offices
- 17. Please provide estimates of the variances and coefficients of variation (CVs) associated with the IOCS-Cluster design. If estimates cannot be provided using the “replication technique such as the bootstrap method that is currently used for IOCS,” then please provide another type of variance estimate as a proxy and explain why the selected proxy is appropriate. See Petition, Proposal Three at 13.
- 18. Please refer to the Preface for Library Reference USPS-RM2016-11/1.
 - a. The description above Table 1 states that “Table 1 lists the activity codes that have their costs determined by TACS clock ring data rather than IOCS readings.” Library Reference USPS–RM2016–11/1, Preface at 1. Please provide the programs used to develop these costs and all inputs necessary to run the programs.
 - b. Please refer to “Table 2: IOCS-Cluster Variable Descriptions.” Library Reference USPS–RM2016–11/1, Preface at 2-3. For the variable “AttCost,” please provide the sources and supporting workpapers showing how the values are calculated.
 - c. Table 3 states that the “Data” folder, “IOCSDataDictionary_IOCSCluster.xls” file lists all of the variables in the IOCS-Cluster data set. Library Reference USPS–RM2016–11/1, Preface

at 4. However, none of the IOCS-Cluster data sets filed in Library Reference USPS-RM2016-11/1 and Library Reference USPS-RM2016-11/NP1 contain all of the variables in the IOCS data dictionary. Please file versions of the IOCS-Cluster data sets that include all of the variables listed in the "IOCSDataDictionary_IOCSCluster.xls" file.

- d. Table 3 lists the SAS programs in the "SASPrograms" folder used to develop the cost estimates filed with Proposal Three. Library Reference USPS-RM2016-11/1, Preface at 4. Please provide all inputs, including data sets and macro definitions, necessary to run each of the following SAS programs:
- i. "CL101"
 - ii. "CL103"
 - iii. "CARMML"

19. Please refer to Docket No. ACR2015, Responses to CHIR No. 14, question 4.⁶
- a. Please provide a table similar to "Table 1 First-Stage Universe and Sample" provided in the response to question 4.a for the number of offices sampled at each CAG level in the IOCS-Cluster design described in Proposal Three.
 - b. Please discuss the costs and product-type impacts for any differences between the number of offices selected from each CAG-level under the Proposal Three sampling approach, and the offices selected under the current methodology.
20. Please refer to Docket No. ACR2015, Responses to CHIR No. 14, question 5. Please provide the same type of information for the selection of Proposal Three

⁶ Docket No. ACR2015, Responses of the United States Postal Service to Questions 1-15 of Chairman's Information Request No. 14, February 23, 2016, question 4 (Docket No. ACR2015, Responses to CHIR No. 14).

sampled zones and discuss the reasons for any differences between the number of offices sampled under the current methodology and under the Proposal Three methodology.

21. Please provide FY 2015 and available FY 2016 versions of the IOCS SAS data set typically provided in Library Reference USPS–FY15–NP21.⁷ Please include the following additional data variables: “Q05A” (Actual Reading Time), “F13” (office name, city and state), and an unedited version of “F234” (operation/route code). See Docket No. ACR2015, Library Reference USPS–FY15–37, “IOCSDataDictionary_FY15” file.

By the Acting Chairman.

Robert G. Taub

⁷ Docket No. ACR2015, Library Reference USPS–FY15–NP21, December 29, 2015.