

USPS-T-26

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

DIRECT TESTIMONY
OF
SAMUEL T. CUTTING
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

TABLE OF CONTENTS

LIST OF TABLES.....	ii
AUTOBIOGRAPHICAL SKETCH.....	iv
ASSOCIATED LIBRARY REFERENCES	v
I. PURPOSE AND SCOPE OF TESTIMONY.....	1
II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION.....	2
III. WINDOW SERVICE COSTS BY SHAPE	3
IV. STANDARD MAIL ECR MAIL PROCESSING SATURATION SAVINGS....	6
V. PERIODICALS PALLET COST ANALYSIS.....	8
VI. BOUND PRINTED MATTER AND PARCEL POST COST STUDIES	10
VII. PROPOSED CHANGES RELATIVE TO PRC METHODOLOGY.....	13
A. CHANGES FOR WINDOW SERVICE COSTS BY SHAPE	13
B. CHANGES FOR STANDARD MAIL ECR MAIL PROCESSING SATURATION SAVINGS	15
C. CHANGES FOR PALLET COST ANALYSIS.....	16
D. CHANGES FOR BOUND PRINTED MATTER AND PARCEL POST COST STUDIES.....	16

Category 2 Library References:

USPS-LR-K-83

USPS-LR-K-84

USPS-LR-K-85

USPS-LR-K-86

LIST OF TABLES

Table 1: Window Service Volume-Variable Costs (\$000) by Shape, First-Class Mail Presort, Standard Mail Regular, and Standard Mail ECR, Test Year 2006.....	4
Table 2: Standard Mail ECR Dropship-Adjusted Unit Costs, Test Year 2006.....	6
Table 3: Periodicals Flats Unit Cost Difference Between Palletized and Sacked Mailings, Test Year 2006.....	8
Table 4: BPM Volume-Variable Costs (\$000) by Basic Function, Test Year 2006.....	10
Table 5: BPM Volume-Variable Costs (\$000) by Operation, Test Year 2006.....	11
Table 6: BPM Volume-Variable Costs (\$000) by ASF/Non-ASF, Test Year 2006.....	11
Table 7: Parcel Post Window Service Costs (\$000) by DBMC/Non-DBMC, Base Year 2004.....	12
Table 8: Window Service Volume-Variable Costs (\$000) by Shape, First-Class Mail Presort, Standard Mail Regular, and Standard Mail ECR, USPS Method versus PRC Method Test Year 2006.....	14
Table 9: Standard Mail ECR Dropship-Adjusted Unit Costs, USPS Method versus PRC Method, Test Year 2006.....	15
Table 10: Periodicals Flats Unit Cost Difference Between Palletized and Sacked Mailings, USPS Method versus PRC Method, Test Year 2006.....	16
Table 11: BPM Volume-Variable Costs (\$000) by Basic Function, USPS Method versus PRC Method, Test Year 2006.....	18
Table 12: BPM Volume-Variable Costs (\$000) by Operation, USPS Method versus PRC Method, Test Year 2006.....	19
Table 13: BPM Volume-Variable Costs (\$000) by ASF/Non-ASF, USPS Method versus PRC Method, Test Year 2006.....	20

Table 14: Parcel Post Window Service Costs (\$000) by DBMC/Non-DBMC, USPS Method versus PRC Method, Base Year 2004.....	21
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1 **AUTOBIOGRAPHICAL SKETCH**

2

3 My name is Samuel T. Cutting. I am a Senior Economist at Christensen
4 Associates, an economic research and consulting firm located in Madison,
5 Wisconsin. I joined Christensen Associates in 1996 as an Economist. In 1997 I
6 was promoted to my current position. My education includes a B.A. in economics
7 from Davidson College in 1989, a M.S. in economics from the University of Texas
8 at Austin in 1994, and a Ph.D. in economics from the University of Texas at
9 Austin in 1996. While a graduate student at the University of Texas, I was a
10 teaching assistant for two years. I was subsequently promoted to the level of
11 supplemental instructor, a position I held for two years. I was an instructor for
12 intermediate microeconomics, intermediate macroeconomics, and mathematics
13 for economists.

14 Much of my work at Christensen Associates has dealt with the statistical
15 issues of mail volumes and mail characteristics, as well as the development of
16 cost models of mail processing. During Docket No. R97-1, I worked in support of
17 the testimonies of witnesses Talmo (USPS-ST-50/R97-1) and McGrane (USPS-
18 ST-44/R97-1). During Docket No. R2000-1, I worked in support of the testimony
19 of witness Daniel (USPS-T-28/R2000-1). During Docket No. R2001-1, I worked
20 in support of the testimony of witness Loetscher (USPS-T-41/R2001-1). Other
21 postal projects I have worked on include contributing to the redesign of the In-
22 Office Cost System (IOCS) questionnaire, developing strategic planning financial
23 forecasting models, and developing volumetric databases for international mail.
24 This is the first time I have given testimony before the Postal Rate Commission.

1 **ASSOCIATED LIBRARY REFERENCES**

2

3 The following library references are sponsored in my testimony.¹ The results
4 of each of these library references are independently derived.

5

6 USPS-LR-K-83: *Development of Window Service Costs by Shape*

7 This library reference contains printed and electronic documentation of
8 the spreadsheets and programs used to develop window service volume-
9 variable costs by shape for First-Class Mail Presort, Standard Mail
10 Regular, and Standard Mail ECR. Witness Moser (USPS-T-23) uses
11 these costs in developing final adjustments to the rollforward model.

12

13 USPS-LR-K-84: *Development of ECR Mail Processing Saturation Savings*

14 This library reference contains printed and electronic documentation of
15 the spreadsheets and programs used to develop mail processing
16 saturation savings by shape for Standard Mail ECR. This library reference
17 updates a previous study sponsored by witness Schenk (USPS-T-
18 43/R2001-1, USPS-LR-J-59/R2001-1). Witness Moser (USPS-T-23) uses
19 these savings estimates in developing final adjustments to the rollforward
20 model.

21

22 USPS-LR-K-85: *Periodicals Pallet Cost Analysis*

23 This library reference contains printed and electronic documentation of
24 the spreadsheet used to calculate the test year cost differential between
25 Periodicals flat-shaped mail prepared on pallets and in sacks. This library

¹ Library references USPS-LR-K-83, 84, and 86 (as well as the corresponding Category 5 PRC version library references) use FORTRAN programs to estimate their results. These programs are available in the "Programs" folder of the CD attached to each library reference. That folder contains text files that can be opened by any text editor.

1 reference updates a previous study sponsored by witness Schenk (USPS-
2 T-43/R2001-1, USPS-LR-J-100/R2001-1). The results of this library
3 reference are supplied to witnesses Robinson (USPS-T-27) and Taufique
4 (USPS-T-28).

5

6 USPS-LR-K-86: *Bound Printed Matter Mail Processing Costs and Parcel Post*
7 *Window Service Costs*

8 This library reference contains printed and electronic documentation of
9 the spreadsheets and programs used to develop mail processing costs for
10 Bound Printed Matter and window service costs for Parcel Post. This
11 library reference updates a previous study sponsored by witness
12 Eggleston (USPS-T-25/R2001-1, USPS-LR-J-65/R2001-1). Witness Miller
13 (USPS-T-20) uses the results of this analysis as inputs for the Bound
14 Printed Matter and Parcel Post mail processing cost models.

1 **I. PURPOSE AND SCOPE OF TESTIMONY**

2

3 The purpose of this testimony is to sponsor the following analyses:

4

5 • Development of test year window service volume-variable costs by shape
6 for First-Class Mail Presort, Standard Mail Regular, and Standard Mail
7 ECR (USPS-LR-K-83).

8

9 • Development of test year mail processing saturation savings by shape for
10 Standard Mail ECR (USPS-LR-K-84).

11

12 • Development of test year cost differential between Periodicals flat-shaped
13 mail prepared on pallets and in sacks (USPS-LR-K-85).

14

15 • Development of base year and test year mail processing costs for Bound
16 Printed Matter (USPS-LR-K-86).

17

18 • Development of base year window service costs for Parcel Post (USPS-
19 LR-K-86).

20

21 The results of these analyses are independently derived.

1 **II. GUIDE TO TESTIMONY AND SUPPORTING DOCUMENTATION**

2

3 The following witnesses in this case provide inputs used in the various
4 analyses sponsored in this testimony: witness Meehan (USPS-T-9) provides
5 base year CRA costs (USPS-LR-K-5), witness Van-Ty-Smith (USPS-T-11)
6 provides base year volume-variable costs (USPS-LR-K-55), witness Smith
7 (USPS-T-13) provides test year cost factors and test year volume factors (USPS-
8 LR-K-52 and 53), witness Loetscher (USPS-T-32) provides base year volumes
9 by shape and dropshipment level (USPS-LR-K-87) and pieces-per-container
10 conversion factors (USPS-LR-K-91), witness Mayes (USPS-T-25) provides test
11 year unit cost avoidances (USPS-LR-K-88), and witness Waterbury (USPS-T-10)
12 provides test year CRA costs (USPS-LR-K-7). I also obtain inputs from USPS-
13 LR-K-9. Chapters III-VI of this testimony, which discuss each respective
14 analysis, list the specific inputs used by each analysis.

15

16 Witness Moser (USPS-T-23) uses the window service cost by shape
17 estimates and the saturation savings estimates in developing final adjustments to
18 the rollforward model. The results of the Periodicals pallet analysis are supplied
19 to witnesses Robinson (USPS-T-27) and Taufique (USPS-T-28). Witness Miller
20 (USPS-T-20) uses the results of the Bound Printed Matter and Parcel Post
21 studies as inputs for the Bound Printed Matter and Parcel Post mail processing
22 cost models.

1 **III. WINDOW SERVICE COSTS BY SHAPE**

2

3 In this testimony I sponsor library reference USPS-LR-K-83, *Development of*
4 *Window Service Costs by Shape*, which focuses on shape-based costs for First-
5 Class Mail Presort, Standard Mail Regular, and Standard Mail ECR. Witness
6 Moser (USPS-T-23) uses the results of this study in developing final adjustments
7 to the rollforward model. The methodology used in this library reference follows
8 the window service costing methodology of the Postal Service while preserving
9 shape detail. First, direct labor volume-variable costs for clerks and mail
10 handlers are developed by shape using a cost distribution program similar to that
11 used by witness Van-Ty-Smith (USPS-T-11). Next, volume-variable costs for
12 clerk and mail handler activities associated with stamped envelopes, stamped
13 and metered mail, and stamped cards are distributed to shape using shape-
14 based volume keys. For each of the subclasses of interest, the cost associated
15 with wait time is spread proportionately across the non-wait time costs before
16 being distributed to shape. Finally, the appropriate test year controls and
17 piggyback factors are applied. The results of this analysis, which are presented
18 in USPS-LR-K-83, are summarized in Table 1 below.

Table 1
Window Service Volume-Variable Costs (\$000) by Shape
First-Class Mail Presort, Standard Mail Regular,
and Standard Mail ECR
Test Year 2006

Subclass	Shape	Window Service Costs
First-Class Presort		
	Letters	28,911
	Flats	1,293
	Parcels	3
	Total	30,206
Standard Mail ECR		
	Letters	1,880
	Flats	5,218
	Parcels	0
	Total	7,098
Standard Mail Regular		
	Letters	50,036
	Flats	18,991
	Parcels	4,528
	Total	73,555

Source: USPS-LR-K-83

1

2

3 This library reference relies on other witnesses' library references in this

4 docket. The following sources are used:

5 • USPS-LR-K-55 (Van-Ty-Smith) for the Postal Service volume-variable
6 cost methodology, programs, and window service cost inputs

7 • USPS-LR-K-9 for the IOCS data set

8 • USPS-LR-K-5 (Meehan) for the base year CRA window service
9 worksheets

10 • USPS-LR-K-7 (Waterbury) for the test year CRA costs by cost segment

11 • USPS-LR-K-52 (Smith) for test year piggyback factors by CRA cost

12 segment and subclass

- 1 • USPS-LR-K-87 (Loetscher) for base year volumes by shape

1 **IV. STANDARD MAIL ECR MAIL PROCESSING SATURATION SAVINGS**

2

3 In this testimony I sponsor library reference USPS-LR-K-84, *Development of*
 4 *ECR Mail Processing Saturation Savings*. This library reference is not related to
 5 any other analysis described above. Witness Moser (USPS-T-23) uses the
 6 results of this study in developing final adjustments to the rollforward model. This
 7 library reference updates the analysis done in library reference USPS-LR-J-
 8 59/R2001-1, *Development of ECR Mail Processing Saturation Savings*, which
 9 was sponsored by witness Schenk (USPS-T-43/R2001-1). The methodology
 10 used in this library reference is the same as that described in witness Schenk's
 11 testimony. The study was updated to incorporate test year costs and volumes.
 12 The results of this analysis, which are presented in USPS-LR-K-84, are
 13 summarized in Table 2 below.

14

ECR Rate Category	Cost per Piece (cents)
Auto Basic Letters	1.457
Basic Letters	3.776
High Density Letters	0.967
Saturation Letters	0.967
Basic Flats	2.889
Basic Parcels	1041.914
Total Basic Nonletters	3.003
High Density/Saturation Flats	1.225
High Density/Saturation Parcels	300.944
Total High Density/Saturation Nonletters	1.234
Source: USPS-LR-K-84	

15

16

1 As in prior versions of this study, the effects of non-transportation-related
2 dropship savings have been removed to better isolate the mail processing
3 savings from more finely presorted, denser mailings. This adjustment is
4 necessary because (i) saturation and high density rate category mailings are
5 dropshipped in greater proportions than basic rate category mailings and (ii) flats
6 are dropshipped in greater proportions than letters.

7 This library reference relies on other witnesses' library references in this
8 docket. The following sources are used:

- 9 • USPS-LR-K-9 for the IOCS data set
- 10 • USPS-LR-K-55 (Van-Ty-Smith) for the Postal Service volume-variable
11 cost methodology, programs, and base year volume-variable cost by mail
12 processing cost pool
- 13 • USPS-LR-K-53 (Smith) for test year mail processing piggyback factors
14 and cost ratios by mail processing cost pool; and premium pay factors,
15 reconciliation factors by subclass, and volume ratios by subclass
- 16 • USPS-LR-K-87 (Loetscher) for base year volumes by shape
- 17 • USPS-LR-K-88 (Mayes) for non-transportation unit cost avoidances

1 **V. PERIODICALS PALLET COST ANALYSIS**

2

3 In this testimony I sponsor USPS-LR-K-85, *Periodicals Pallet Cost Analysis*,
 4 which estimates the test year mail processing cost difference between palletized
 5 and sacked Periodicals flat-shaped mail. This library reference is not related to
 6 any other analysis described above. The results of this library reference are
 7 supplied to witnesses Robinson (USPS-T-27) and Taufique (USPS-T-28).

8 This library reference updates the analysis done in library reference USPS-
 9 LR-J-100/R2001-1, *Pallet Cost Analysis*, which was sponsored by witness
 10 Schenk (USPS-T-43/R2001-1). The methodology used in this library reference is
 11 the same as that described in witness Schenk's testimony. The study was
 12 updated to incorporate test year costs and volumes. The results of this analysis,
 13 which are presented in USPS-LR-K-85, are summarized in Table 3 below.

14

Table 3	
Periodicals Flats Unit Cost Difference Between Palletized and Sacked Mailings Test Year 2006	
	Cost per Piece (cents)
Sacks	1.973
Pallets	0.919
Difference	1.053
Source: USPS-LR-K-85	

15

16

17 Table 3 demonstrates that Periodicals flat-shaped mail presented by mailers
 18 in sacks is more costly to process than mail presented on pallets. The per-piece
 19 cost difference is due to differences in productivities for platform and other allied
 20 operations associated with unloading mail and moving mail to bundle sort
 21 operations at the 'destination' facility. The destination facility refers to the facility
 22 at which a pallet or sack is dumped or opened and the bundles or pieces therein

1 are handled separately. The destination facility is determined by the container
2 presort level (e.g., a 3-digit pallet is typically dumped at the destination SCF).

3 This library reference relies on other witnesses' library references and
4 testimony in this docket and in previous dockets. The following sources are
5 used:

- 6 • USPS-LR-K-52 (Smith) for test year piggyback factors by cost segment,
7 premium pay factors and volume ratios by subclass, and clerk and mail
8 handler labor rates
- 9 • USPS-LR-K-53 (Smith) for test year piggyback factors by mail processing
10 cost pool, and unit costs by mail processing cost pool, subclass and shape
- 11 • USPS-LR-K-55 (Van-Ty-Smith) for base year mail processing volume-
12 variability factors by cost pool
- 13 • USPS-LR-K-91 (Loetscher) for pieces per sack for flat-shaped Periodicals
- 14 • USPS-LR-J-114/R2001-1 (Loetscher) for pieces per pallet for flat-shaped
15 Periodicals
- 16 • USPS-LR-H-111/R97-1 (Smith) for sacks per other wheeled container
- 17 • USPS-T-26/R2000-1 (Eggleston), USPS-T-27/R2000-1 (Crum), and the
18 Planning Guidelines for operations productivities

19

1 **VI. BOUND PRINTED MATTER AND PARCEL POST COST STUDIES**

2

3 In this testimony I also sponsor library reference USPS-LR-K-86, *Bound*
4 *Printed Matter Mail Processing Costs and Parcel Post Window Service Costs.*

5 This library reference is not related to any other analysis described above.

6 Witness Miller (USPS-T-20) uses the results of this analysis as inputs for the
7 Bound Printed Matter and Parcel Post mail processing cost models.

8 This library reference updates the analysis done in library reference USPS-
9 LR-J-65/R2001-1, *Bound Printed Matter Mail Processing and Parcel Post*
10 *Window Service Costs*, which was sponsored by witness Eggleston (USPS-T-
11 25/R2001-1). The methodology used in this library reference is the same as that
12 described in witness Eggleston's testimony. The study was updated to
13 incorporate test year costs and volumes.

14 USPS-LR-K-86 documents how several inputs to the Parcel Post and Bound
15 Printed Matter (BPM) cost models are developed. The inputs developed in this
16 library reference are costs by basic function for BPM, costs for operation 07
17 (platform acceptance) for BPM, costs for auxiliary service facilities (ASFs) for
18 BPM, and window service costs divided between dropshipped and non-
19 dropshipped Parcel Post. The results of this analysis, which are presented in
20 USPS-LR-K-86, are summarized in Tables 4 through 7 below.

21

Office Type	Basic Function				Total
	Outgoing	Incoming	Transit	Other	
MOD 1&2 Offices	23,547	43,641	1,211	2,336	70,735
BMC	45,325	51,656	1,329	1,012	99,322
Non-MODs	2,580	55,235	0	0	57,814
Total	71,452	150,532	2,540	3,347	227,871

Source: USPS-LR-K-86

22

1

Table 5
BPM Volume-Variable Costs (\$000) by Operation
Test Year 2006

Office Type	Op 07	All Other	Total
MOD 1&2 Offices	185	70,550	70,735
BMC	0	99,322	99,322
Non-MODs	300	57,515	57,814
Total	485	227,386	227,871

Source: USPS-LR-K-86

2

3

Table 6
BPM Volume-Variable Costs (\$000) by ASF/Non-ASF
Test Year 2006

Office Type	ASF	Non- ASF	Total
MOD 1&2 Offices	3,826	66,909	70,735
BMC	0	99,322	99,322
Non-MODs	0	57,814	57,814
	3,826	224,045	227,871

Source: USPS-LR-K-86

4

5

Table 7	
Parcel Post Window Service Costs (\$000)	
by DBMC/Non-DBMC	
Base Year 2004	
Window Service	Costs
Direct Labor Costs	(\$000)
DBMC	579
Non-DBMC	17,589
Total	18,168
Distributed Window Service	Costs
Volume-Variable Costs	(\$000)
DBMC	499
Non-DBMC	15,184
	15,683
Source: USPS-LR-K-86	

1

2

3 This library reference relies on other witnesses' library references in this

4 docket. The following sources are used:

5 • USPS-LR-K-9 for the IOCS data set

6 • USPS-LR-K-55 (Van-Ty-Smith) for the Postal Service volume-variable

7 cost methodology, programs, and base year volume-variable costs by mail

8 processing cost pool

9 • USPS-LR-K-53 (Smith) for test year mail processing piggyback factors

10 and cost ratios by mail processing cost pool; and premium pay factors and

11 reconciliation factors by subclass

12 • USPS-LR-K-5 (Meehan) for base year CRA window service worksheets

1 VII. PROPOSED CHANGES RELATIVE TO PRC METHODOLOGY

2
3 In the following sections, results from PRC versions of each library reference
4 sponsored in this testimony are presented along with the material differences
5 between the PRC versions and the Postal Service versions. To the extent that,
6 in response to Commission Rule 53, I discuss and compare PRC versions of
7 costing materials in this testimony, I do not sponsor those materials, or in any
8 way endorse the methodologies used to prepare them. In its Order No. 1380
9 adopting the roadmap rule, the Commission included the following statements
10 regarding the role played by Postal Service witnesses under these
11 circumstances:

12 The comparison required by this exercise cannot be equated
13 with sponsoring the preexisting methodology. It merely identifies
14 and gives context to the proposed change, serving as a benchmark
15 so that the impact can be assessed. ... [W]itnesses submitting
16 testimony under Rule 53(c) sponsor the proposed methodological
17 changes, not the preexisting methodology. That they may be
18 compelled to reference the preexisting methodology does not mean
19 that they are sponsoring it.²
20

21 Therefore, although I may be compelled to refer to the PRC methodologies
22 and versions corresponding to the Postal Service proposals which are the
23 subject of my testimony, my testimony does not sponsor those PRC materials.
24

25 A. CHANGES FOR WINDOW SERVICE COSTS BY SHAPE

26
27 The material changes between USPS-LR-K-83, *Development of Window*
28 *Service Costs by Shape*, and USPS-LR-K-106, *PRC Version of Development of*
29 *Window Service Costs by Shape*, are differences in window service cost
30 distribution methodologies and differences in the following inputs: base year CRA

² Order No. 1380 (August 7, 2003) at 7.

1 window service costs and test year window service CRA costs and piggyback
 2 factors. PRC window service costs are developed by subclass and shape based
 3 on IOCS direct tally distribution keys. The following table compares the impact
 4 on the test year cost estimates produced in USPS-LR-K-83 and the ones
 5 produced in the PRC version, USPS-LR-K-106.
 6

Subclass	Shape	USPS Window Service Costs	PRC Window Service Costs	Difference Costs
First-Class Presort				
	Letters	28,911	33,304	-4,393
	Flats	1,293	1,698	-406
	Parcels	3	3	0
	Total	30,206	35,005	-4,799
Standard Mail ECR				
	Letters	1,880	2,316	-436
	Flats	5,218	6,012	-793
	Parcels	0	0	0
	Total	7,098	8,328	-1,230
Standard Mail Regular				
	Letters	50,036	57,685	-7,649
	Flats	18,991	22,002	-3,011
	Parcels	4,528	5,614	-1,087
	Total	73,555	85,302	-11,747
Sources: USPS-LR-K-83, USPS-LR-K-106				

7
8

1 **B. CHANGES FOR STANDARD MAIL ECR MAIL PROCESSING**
 2 **SATURATION SAVINGS**

3
 4 The material changes between USPS-LR-K-84, *Development of ECR Mail*
 5 *Processing Saturation Savings*, and USPS-LR-K-107, *PRC Version of*
 6 *Development of ECR Mail Processing Saturation Savings*, are differences in mail
 7 processing cost distribution methodologies and differences in the following
 8 inputs: base year costs by cost pool, test year piggyback factors, test year
 9 premium pay factors, test year reconciliation factors, and test year cost
 10 avoidances. PRC mail processing costs are developed at the cost pool, rate
 11 category, and shape level based on IOCS direct tally distribution keys. The
 12 following table compares the impact on the test year cost estimates produced in
 13 USPS-LR-K-84 and the ones produced in the PRC version, USPS-LR-K-107.

14
Table 9
Standard Mail ECR Dropship-Adjusted Unit Costs
USPS Method versus PRC Method
Test Year 2006

ECR Rate Category	USPS Cost per Piece (cents)	PRC Cost per Piece (cents)	Difference (cents)
Auto Basic Letters	1.457	1.523	-0.066
Basic Letters	3.776	3.431	0.346
High Density Letters	0.967	1.056	-0.089
Saturation Letters	0.967	1.056	-0.089
Basic Flats	2.889	3.115	-0.226
Basic Parcels	1041.914	980.857	61.057
Total Basic Nonletters	3.003	3.223	-0.220
High Density/Saturation Flats	1.225	1.466	-0.241
High Density/Saturation Parcels	300.944	441.328	-140.383
Total High Density/Saturation Nonletters	1.234	1.480	-0.246

15 Sources: USPS-LR-K-84, USPS-LR-K-107

1

2 **C. CHANGES FOR PALLET COST ANALYSIS**

3

4 The material changes between USPS-LR-K-85, *Periodicals Pallet Cost*
 5 *Analysis*, and USPS-LR-K-108, *PRC Version of Periodicals Pallet Cost Analysis*,
 6 are differences in the following inputs: volume-variability factors by cost pool, test
 7 year piggyback factors, and test year premium pay factors. The following table
 8 compares the impact on the test year cost estimates produced in USPS-LR-K-85
 9 and the ones produced in the PRC version, USPS-LR-K-108.

10

Table 10				
Periodicals Flats Unit Cost Difference				
Between Palletized and Sacked Mailings				
USPS Method versus PRC Method				
Test Year 2006				
	USPS	PRC		
	Cost per	Cost per		
	Piece	Piece		Difference
	(cents)	(cents)		(cents)
Sacks	1.973	2.324		-0.351
Pallets	0.919	1.107		-0.188
Difference	1.053	1.217		-0.164

Sources: USPS-LR-K-85, USPS-LR-K-108

11

12

13 **D. CHANGES FOR BOUND PRINTED MATTER AND PARCEL POST COST**
14 **STUDIES**

15

16 The material changes between USPS-LR-K-86, *Bound Printed Matter Mail*
 17 *Processing Costs and Parcel Post Window Service Costs*, and USPS-LR-K-109,
 18 *PRC Version of Bound Printed Matter Mail Processing Costs and Parcel Post*
 19 *Window Service Costs*, are differences in mail processing cost distribution
 20 methodologies, differences in window service cost distribution methodologies,

1 and differences in the following inputs: base year CRA costs by mail processing
2 cost pool, base year CRA window service costs, test year piggyback factors, test
3 year premium pay factors, test year reconciliation factors, and test year cost
4 avoidances. PRC mail processing costs are developed at the mail processing
5 cost pool and category level (i.e., subclass, basic function, operation, and
6 ASF/non-ASF) and PRC window service costs are developed at the category
7 level (i.e., DBMC/non-DBMC) based on IOCS direct tally distribution keys. The
8 following tables compare the impact on the base year and test year cost
9 estimates produced in USPS-LR-K-86 and the ones produced in the PRC
10 version, USPS-LR-K-109.

11

Table 11
BPM Volume-Variable Costs (\$000) By Basic Function
USPS Method versus PRC Method
Test Year 2006

USPS Method					
Office	Basic Function				
Type	Outgoing	Incoming	Transit	Other	Total
MOD 1&2 Offices	23,547	43,641	1,211	2,336	70,735
BMC	45,325	51,656	1,329	1,012	99,322
Non-MODs	2,580	55,235	0	0	57,814
Total	71,452	150,532	2,540	3,347	227,871
PRC Method					
Office	Basic Function				
Type	Outgoing	Incoming	Transit	Other	Total
MOD 1&2 Offices	30,713	69,462	1,671	3,299	105,144
BMC	56,230	56,720	2,202	2,453	117,605
Non-MODs	2,185	39,978	0	0	42,163
Total	89,127	166,160	3,872	5,752	264,912
Differences					
Office	Basic Function				
Type	Outgoing	Incoming	Transit	Other	Total
MOD 1&2 Offices	-7,165	-25,821	-460	-963	-34,409
BMC	-10,905	-5,064	-872	-1,442	-18,283
Non-MODs	394	15,257	0	0	15,651
Total	-17,676	-15,628	-1,332	-2,405	-37,041
Sources: USPS-LR-K-86, USPS-LR-K-109					

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Table 12
BPM Volume-Variable Costs (\$000) By Operation
USPS Method versus PRC Method
Test Year 2006

USPS Version

Office

Type	Op 07	All Other	Total
MOD 1&2 Offices	185	70,550	70,735
BMC	0	99,322	99,322
Non-MODs	300	57,515	57,814
Total	485	227,386	227,871

PRC Version

Office

Type	Op 07	All Other	Total
MOD 1&2 Offices	565	104,579	105,144
BMC	0	117,605	117,605
Non-MODs	432	41,732	42,163
Total	997	263,915	264,912

Differences

Office

Type	Op 07	All Other	Total
MOD 1&2 Offices	-380	-34,029	-34,409
BMC	0	-18,283	-18,283
Non-MODs	-132	15,783	15,651
Total	-512	-36,529	-37,041

Sources: USPS-LR-K-86, USPS-LR-K-109

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Table 13
BPM Volume-Variable Costs (\$000) By ASF/Non-ASF
USPS Method versus PRC Method
Test Year 2006

USPS Version			
Office Type	ASF	Non-ASF	Total
MOD 1&2 Offices	3,826	66,909	70,735
BMC	0	99,322	99,322
Non-MODs	0	57,814	57,814
	3,826	224,045	227,871
PRC Version			
Office Type	ASF	Non-ASF	Total
MOD 1&2 Offices	5,340	99,804	105,144
BMC	0	117,605	117,605
Non-MODs	0	42,163	42,163
	5,340	259,572	264,912
Differences			
Office Type	ASF	Non-ASF	Total
MOD 1&2 Offices	-1,514	-32,895	-34,409
BMC	0	-18,283	-18,283
Non-MODs	0	15,651	15,651
	-1,514	-35,527	-37,041
Sources: USPS-LR-K-86, USPS-LR-K-109			

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Table 14
Parcel Post Window Service Costs (\$000)
by DBMC/Non-DBMC
USPS Method versus PRC Method
Base Year 2004

Window Service Direct Labor Costs	USPS Method Costs (\$000)	PRC Method Costs (\$000)	Difference Costs (\$000)
DBMC	579	384	195
Non-DBMC	17,589	16,914	676
Total	18,168	17,298	870
Distributed Window Service Volume-Variable Costs	Costs (\$000)	Costs (\$000)	Costs (\$000)
DBMC	499	410	90
Non-DBMC	15,184	18,050	-2,867
	15,683	18,460	-2,777

Sources: USPS-LR-K-86, USPS-LR-K-109