

USPS-T-27

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

DIRECT TESTIMONY
OF
DANIEL TALMO
ON BEHALF OF THE
UNITED STATES POSTAL SERVICE

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Category 2 Library References:

USPS-LR-L-83

USPS-LR-L-84

USPS-LR-L-85

USPS-LR-L-86

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1 **AUTOBIOGRAPHICAL SKETCH**

2

3 My name is Daniel Talmo. I am a Vice President at Christensen Associates,
4 an economic research and consulting firm located in Madison, Wisconsin. I
5 joined Christensen Associates in 1987 as a Senior Economist. In 2005 I was
6 promoted to my current position. My education includes a B.S. in economics and
7 mathematics from the University of Delaware in 1976 and a Ph.D. in economics
8 from the University of Wisconsin, Madison in 1987. Prior to my employment at
9 Christensen Associates, I was a Program and Planning Analyst at the Wisconsin
10 Department of Administration, Division of State Energy. While a graduate
11 student at the University of Wisconsin, I was a research assistant at the Institute
12 for Research on Poverty for one year and was a teaching assistant for various
13 economics courses for three years.

14 Much of my work at Christensen Associates has dealt with the estimation of
15 mail volumes and cost, mail characteristics, and Postal Service national and field
16 productivity. I have given testimony before the Postal Rate Commission twice
17 previously (USPS-ST-50/R97-1 and USPS-T-1/MC96-2).

1 **ASSOCIATED LIBRARY REFERENCES**

2

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

5

6 USPS-LR-L-83: *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 Page (USPS-T-23) uses these
11 costs in developing final adjustments to the rollforward model. This library
12 reference updates a previous study sponsored by witness Cutting (USPS-
13 T-26/R2005-1, USPS-LR-K-83).

14

15 USPS-LR-L-84: *ECR Mail Processing Saturation Savings*

16 This library reference contains printed and electronic documentation of
17 the spreadsheets and programs used to develop mail processing
18 saturation savings by shape for Standard Mail ECR. Witness Page
19 (USPS-T-23) uses these savings estimates in developing final
20 adjustments to the rollforward model. Witness Kiefer (USPS-T-36) uses
21 the results of this analysis as inputs to Standard Mail rate design. This
22 library reference updates a previous study sponsored by witness Cutting
23 (USPS-T-26/R2005-1, USPS-LR-K-84).

24

25 USPS-LR-L-85: *Periodicals Container Cost Analysis*

26 This library reference contains printed and electronic documentation of
27 the spreadsheet used to calculate the test year cost differential between
28 Periodicals flat-shaped mail prepared on pallets and in sacks. The results
29 of this library reference are supplied to witness Tang (USPS-T-35). This

1 library reference updates a previous study sponsored by witness Cutting
2 (USPS-T-26/R2005-1, USPS-LR-K-85).

3

4 USPS-LR-L-86: *Bound Printed Matter Mail Processing Costs and Parcel Post*
5 *Window Service Costs*

6 This library reference contains printed and electronic documentation of
7 the spreadsheets and programs used to develop mail processing costs for
8 Bound Printed Matter and window service costs for Parcel Post. Witness
9 Miller (USPS-T-21) uses the results of this analysis as inputs for the
10 Bound Printed Matter and Parcel Post mail processing cost models. This
11 library reference updates a previous study sponsored by witness Cutting
12 (USPS-T-26/R2005-1, USPS-LR-K-86).

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-L-83).

8

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

11

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

14

15 • Development of base year and test year mail processing costs for Bound
16 Printed Matter by basic function, ASF/Non-ASF, and Operation (USPS-
17 LR-L-86).

18

19 • Development of base year window service costs for Parcel Post by
20 DBMC/Non-DBMC (USPS-LR-L-86).

21

22 The results of these five 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 Milanovic (USPS-T-9) provides
5 base year CRA costs (USPS-LR-L-5), witness Van-Ty-Smith (USPS-T-11)
6 provides base year volume-variable costs (USPS-LR-L-55), witness Smith
7 (USPS-T-13) provides test year cost factors and test year volume factors (USPS-
8 LR-L-52 and 53), witness Loetscher (USPS-T-28) provides base year volumes by
9 shape and dropshipment level (USPS-LR-L-87) and pieces-per-container
10 conversion factors (USPS-LR-L-91), witness Mayes (USPS-T-25) provides test
11 year unit dropshipment cost avoidances (USPS-LR-L-88), and witness Waterbury
12 (USPS-T-10) provides test year CRA costs (USPS-LR-L-7). Inputs are also
13 obtained from USPS-LR-L-9. Chapters III-VI of this testimony, which discuss
14 each respective analysis, list the specific inputs used by each analysis.

15 Witness Page (USPS-T-23) uses the window service cost by shape estimates
16 and the saturation savings estimates in developing final adjustments to the
17 rollforward model. Witness Kiefer (USPS-T-36) uses the saturation savings
18 estimates as inputs to Standard Mail rate design. The results of the Periodicals
19 container analysis are supplied to witness Tang (USPS-T-35). Witness Miller
20 (USPS-T-21) 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-L-83, *Window Service*
4 *Costs by Shape*, which focuses on shape-based costs for First-Class Mail
5 Presort, Standard Mail Regular, and Standard Mail ECR. This library reference,
6 which is not related to any analysis described below, updates the analysis done
7 in library reference USPS-LR-K-83/R2005-1, *Development of Window Service*
8 *Costs by Shape*, which was sponsored by witness Cutting (USPS-T-26/R2005-
9 1). The methodology used in this library reference is the same as that described
10 in witness Cutting's testimony. The study was updated to incorporate new base
11 year and test year costs and volumes. Witness Page (USPS-T-23) uses the
12 results of this study in developing final adjustments to the rollforward model.

13 The methodology used in this library reference follows the window service
14 costing methodology of the Postal Service while preserving shape detail. First,
15 direct labor volume-variable costs for clerks and mail handlers are developed by
16 shape using a cost distribution program similar to that used by witness Van-Ty-
17 Smith (USPS-T-11). Next, volume-variable costs for clerk and mail handler
18 activities associated with stamped envelopes, stamped and metered mail, and
19 stamped cards are distributed to shape using shape-based volume keys. For
20 each of the subclasses of interest, the cost associated with wait time is spread
21 proportionately across the non-wait time costs before being distributed to shape.
22 Finally, the appropriate test year controls and piggyback factors are applied. The
23 results of this analysis are summarized in Table 1 below.

1

Table 1
Window Service Volume-Variable Costs (\$000) by Shape
First Class Mail Presort, Standard Mail Regular, and Standard Mail ECR
Test Year 2008

Subclass	Shape	Window Service Costs
First-Class Presort	Letters	36,857
	Flats	1,237
	Parcels	2
	Total	38,097
Standard Mail ECR	Letters	2,503
	Flats	4,242
	Parcels	0
	Total	6,745
Standard Mail Regular	Letters	57,185
	Flats	22,863
	Parcels	4,032
	Total	84,080

2 Source: USPS-LR-L-83

3

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

- 6 • USPS-LR-L-55 (Van-Ty-Smith) for the Postal Service volume-variable cost
7 methodology, programs, and window service cost inputs
- 8 • USPS-LR-L-9 for the IOCS data set
- 9 • USPS-LR-L-5 (Milanovic) for the base year CRA window service
10 worksheets
- 11 • USPS-LR-L-7 (Waterbury) for the test year CRA costs by cost segment
- 12 • USPS-LR-L-52 (Smith) for test year piggyback factors by CRA cost
13 segment and subclass
- 14 • USPS-LR-L-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-L-84, *ECR Mail*
 4 *Processing Saturation Savings*. This library reference is not related to any other
 5 analysis described above or below. Witness Page (USPS-T-23) uses the results
 6 of this study in developing final adjustments to the rollforward model. Witness
 7 Kiefer (USPS-T-36) uses the results of this analysis as inputs to Standard Mail
 8 rate design. This library reference updates the analysis done in library reference
 9 USPS-LR-K-84/R2005-1, *Development of ECR Mail Processing Saturation*
 10 *Savings*, which was sponsored by witness Cutting (USPS-T-26/R2005-1). The
 11 methodology used in this library reference is the same as that described in
 12 witness Cutting's testimony. The study was updated to incorporate new base
 13 year and test year cost and volume data. The results of this analysis are
 14 summarized in Table 2 below.

15

Table 2
Standard Mail ECR Dropship-Adjusted Unit Costs
Test Year 2008

<u>ECR Rate Category</u>	Cost per Piece (cents)
Auto Basic Letters	4.748
Basic Letters	4.483
High Density/Saturation Letters	1.095
Basic Flats	4.011
Basic Parcels	3002.666
<u>Total Basic Nonletters</u>	<u>4.137</u>
High Density/Saturation Flats	1.599
<u>High Density/Saturation Parcels</u>	<u>606.399</u>
<u>Total High Density/Saturation Nonletters</u>	<u>1.607</u>

16

Source: USPS-LR-L-84

17

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

1 **V. PERIODICALS CONTAINER COST ANALYSIS**

2

3 In this testimony I sponsor USPS-LR-L-85, *Periodicals Container Cost*
 4 *Analysis*, which estimates the test year mail processing cost difference between
 5 palletized and sacked Periodicals flat-shaped mail. This library reference is not
 6 related to any other analysis described above or below. The results of this library
 7 reference are supplied to witness Tang (USPS-T-35).

8 This library reference updates the analysis done in library reference USPS-
 9 LR-K-85/R2005-1, *Periodicals Pallet Cost Analysis*, which was sponsored by
 10 witness Cutting (USPS-T-26/R2005-1). The methodology used in this library
 11 reference is the same as that described in witness Cutting’s testimony. The
 12 study was updated to incorporate new test year costs and volumes. The results
 13 of this analysis are summarized in Table 3 below.

14

Table 3
Periodicals Flats Container Handling Unit Cost
of Palletized and Sacked Mailings
Test Year 2008

	Cost per Piece (cents)
Sacks	2.57
Pallets	1.19
Difference	1.38

Source: USPS-LR-L-85

15

16 Table 3 demonstrates that Periodicals flat-shaped mail presented by mailers
 17 in sacks is more costly to process than mail presented on pallets. The per-piece
 18 cost difference is due to differences in productivities for platform and other allied
 19 operations associated with unloading mail and moving mail to bundle sort
 20 operations at the ‘destination’ facility. The destination facility refers to the facility

1 at which a pallet or sack is dumped or opened and the bundles or pieces therein
2 are handled separately. The destination facility is determined by the container
3 presort level (e.g., a 3-digit pallet is typically dumped at the destination SCF).

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

- 7 • USPS-LR-L-52 (Smith) for test year piggyback factors by cost segment,
8 premium pay factors and volume ratios by subclass, and clerk and mail
9 handler labor rates
- 10 • USPS-LR-L-53 (Smith) for test year piggyback factors by mail processing
11 cost pool, and unit costs by mail processing cost pool, subclass and shape
- 12 • USPS-LR-L-55 (Van-Ty-Smith) for base year mail processing volume-
13 variability factors by cost pool
- 14 • USPS-LR-L-91 (Loetscher) for pieces per sack and 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-L-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-21) 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 in library reference USPS-LR-K-
9 86/R2005-1, *Bound Printed Matter Mail Processing Costs and Parcel Post*
10 *Window Service Costs*, which was sponsored by witness Cutting (USPS-T-
11 26/R2005-1). The methodology used in this library reference is the same as that
12 described in witness Cutting's testimony. The study was updated to incorporate
13 new base year and test year cost and volume data.

14 USPS-LR-L-86 documents how several inputs to witness Miller's Parcel Post
15 and Bound Printed Matter (BPM) cost models are developed. The inputs
16 developed in this library reference are costs for auxiliary service facilities (ASFs)
17 by basic function for BPM, costs for operation 07 (platform acceptance) for BPM,
18 and window service costs divided between dropshipped and non-dropshipped
19 Parcel Post. The results of these analyses are summarized in Tables 4 through
20 6 below.

21

22

1

Table 4
BPM Volume-Variable Costs (\$000) by ASF/Non-ASF and Basic Function
Test Year 2008

Office Type	Non-ASF			ASF		
	Outgoing	Incoming	Other	Outgoing	Incoming	Other
MOD 1&2 Offices	23,064	37,354	17,054	830	1,037	0
BMC	38,634	53,355	45,311	0	0	0
Non-MODs	6,796	61,902	3,369	0	0	0
Total	68,494	152,611	65,734	830	1,037	0

2 Source: USPS-LR-L-86

3

4

5

6

7

Table 5
BPM Volume-Variable Costs (\$000) by Operation
Test Year 2008

Office Type	Op 07	All Other	Total
MOD 1&2 Offices	0	79,340	79,340
BMC	369	136,931	137,300
Non-MODs	709	71,357	72,067
Total	1,078	287,628	288,706

8 Source: USPS-LR-L-86

9

Table 6
Parcel Post Window Service Costs (\$000)
by DBMC/Non-DBMC
Base Year 2005

Window Service	Costs
Direct Labor Costs	(\$000)
DBMC	3,600
Non-DBMC	21,036
Total	24,636

Distributed Window Service	Costs
Volume-Variable Costs	(\$000)
DBMC	3,970
Non-DBMC	23,201
	27,171

Source: USPS-LR-L-86

1

2

3

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

5 docket. The following sources are used:

6

- USPS-LR-L-9 for the IOCS data set

7

- USPS-LR-L-55 (Van-Ty-Smith) for the Postal Service volume-variable cost methodology, programs, and base year volume-variable costs by mail processing cost pool

8

9

- USPS-LR-L-53 (Smith) for test year mail processing piggyback factors and cost ratios by mail processing cost pool; and premium pay factors and reconciliation factors by subclass

10

11

12

- USPS-LR-L-5 (Milanovic) for base year CRA window service worksheets

13

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.¹
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-L-83, *Window Service Costs by*
28 *Shape*, and USPS-LR-L-106, *PRC Version of Window Service Costs by Shape*,
29 are differences in window service cost distribution methodologies and differences
30 in the following inputs: base year CRA window service costs and test year

¹ Order No. 1380 (August 7, 2003) at 7.

1 window service CRA costs and piggyback factors. PRC direct labor window
 2 service costs are calculated at the shape level based on a replication of the PRC
 3 version CRA (USPS-LR-L-100). The following table compares the test year cost
 4 estimates produced in USPS-LR-L-83 and the ones produced in the PRC
 5 version, USPS-LR-L-106.
 6

Table 7
Window Service Volume-Variable Costs (\$000) by Shape
First-Class Mail Presort, Standard Mail ECR
and Standard Mail Regular
USPS Method versus PRC Method
Test Year 2008

Subclass	Shape	USPS Method Window Service Costs	PRC Method Window Service Costs	Difference Costs
First-Class Presort				
	Letters	36,857	35,030	1,826
	Flats	1,237	1,265	-28
	Parcels	2	2	0
	Total	38,097	36,298	1,798
Standard Mail ECR				
	Letters	2,503	2,624	-122
	Flats	4,242	4,184	58
	Parcels	0	0	0
	Total	6,745	6,808	-63
Standard Mail Regular				
	Letters	57,185	58,001	-816
	Flats	22,863	22,444	419
	Parcels	4,032	3,983	49
	Total	84,080	84,428	-348

7 Sources: USPS-LR-L-83, USPS-LR-L-106

8

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

3
 4 The material changes between USPS-LR-L-84, *ECR Mail Processing*
 5 *Saturation Savings*, and USPS-LR-L-107, *PRC Version of ECR Mail Processing*
 6 *Saturation Savings*, are differences in mail processing cost distribution
 7 methodologies and differences in the following inputs: base year costs by cost
 8 pool, test year piggyback factors, test year premium pay factors, test year
 9 reconciliation factors, and test year cost avoidances. PRC mail processing costs
 10 are developed at the cost pool, rate category, and shape level based on a
 11 replication of the PRC version CRA (USPS-LR-L-100). The following table
 12 compares the test year cost estimates produced in USPS-LR-L-84 and the ones
 13 produced in the PRC version, USPS-LR-L-107.

14

Table 8
Standard Mail ECR Dropship-Adjusted Unit Costs
USPS Method versus PRC Method
Test Year 2008

ECR Rate Category	USPS Method Cost per Piece (cents)	PRC Method Cost per Piece (cents)	Difference (cents)
Auto Basic Letters	4.748	4.756	-0.008
Basic Letters	4.483	4.088	0.395
High Density/Saturation Letters	1.095	1.214	-0.119
Basic Flats	4.011	4.253	-0.242
Basic Parcels	3002.666	2526.881	475.785
Total Basic Nonletters	4.137	4.359	-0.222
High Density/Saturation Flats	1.599	1.881	-0.282
High Density/Saturation Parcels	606.399	786.269	-179.871
Total High Density/Saturation Nonletters	1.607	1.892	-0.285

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

1 **C. CHANGES FOR CONTAINER COST ANALYSIS**

2

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

9

Table 9
Periodicals Flats Container Handling Unit Cost
of Palletized and Sacked Mailings
USPS Method versus PRC Method
Test Year 2008

	USPS Cost per Piece (cents)	PRC Cost per Piece (cents)	Difference (cents)
Sacks	2.57	2.74	-0.17
Pallets	1.19	1.28	-0.09
Difference	1.38	1.46	-0.08

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

10

11 **D. CHANGES FOR BOUND PRINTED MATTER AND PARCEL POST COST**
 12 **STUDIES**

13

14 The material changes between USPS-LR-L-86, *Bound Printed Matter Mail*
 15 *Processing Costs and Parcel Post Window Service Costs*, and USPS-LR-L-109,
 16 *PRC Version of Bound Printed Matter Mail Processing Costs and Parcel Post*
 17 *Window Service Costs*, are differences in mail processing cost distribution
 18 methodologies, differences in window service cost distribution methodologies,
 19 and differences in the following inputs: base year CRA costs by mail processing

1 cost pool, base year CRA window service costs, test year piggyback factors, test
2 year premium pay factors, test year reconciliation factors, and test year cost
3 avoidances. PRC mail processing costs are developed at the mail processing
4 cost pool and category level (i.e., subclass, basic function, operation, and
5 ASF/non-ASF) and PRC window service costs are developed at the category
6 level (i.e., DBMC/non-DBMC) based on a replication of the PRC version CRA
7 (USPS-LR-L-100). The following tables compare the base year and test year
8 cost estimates produced in USPS-LR-L-86 and the ones produced in the PRC
9 version, USPS-LR-L-109.

10

1

Table 10
BPM Volume-Variable Costs (\$000) by ASF/Non-ASF and Basic Function
USPS Method versus PRC Method
Test Year 2008

USPS Method

Office Type	Non-ASF			ASF		
	Outgoing	Incoming	Other	Outgoing	Incoming	Other
MOD 1&2 Offices	23,064	37,354	17,054	830	1,037	0
BMC	38,634	53,355	45,311	0	0	0
Non-MODs	6,796	61,902	3,369	0	0	0
Total	68,494	152,611	65,734	830	1,037	0

PRC Method

Office Type	Non-ASF			ASF		
	Outgoing	Incoming	Other	Outgoing	Incoming	Other
MOD 1&2 Offices	24,664	65,957	23,154	892	1,229	0
BMC	40,742	55,483	51,513	0	0	0
Non-MODs	5,827	42,512	2,078	0	0	0
Total	71,233	163,952	76,745	892	1,229	0

Difference

Office Type	Non-ASF			ASF		
	Outgoing	Incoming	Other	Outgoing	Incoming	Other
MOD 1&2 Offices	-1,600	-28,603	-6,100	-62	-192	0
BMC	-2,108	-2,128	-6,202	0	0	0
Non-MODs	969	19,390	1,291	0	0	0
Total	-2,739	-11,341	-11,011	-62	-192	0

2 Sources: USPS-LR-L-86, USPS-LR-L-109

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Table 11
BPM Volume-Variable Costs (\$000) by Operation
USPS Method versus PRC Method
Test Year 2008

USPS Method

Office Type	Op 07	All Other	Total
MOD 1&2 Offices	0	79,340	79,340
BMC	369	136,931	137,300
Non-MODs	709	71,357	72,067
Total	1,078	287,628	288,706

PRC Method

Office Type	Op 07	All Other	Total
MOD 1&2 Offices	0	115,896	115,896
BMC	288	147,449	147,738
Non-MODs	641	49,776	50,417
Total	930	313,121	314,051

Difference

Office Type	Op 07	All Other	Total
MOD 1&2 Offices	0	-36,557	-36,557
BMC	81	-10,518	-10,438
Non-MODs	68	21,581	21,649
Total	149	-25,494	-25,345

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

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Table 12
Parcel Post Window Service Costs (\$000)
by DBMC/Non-DBMC
USPS Method versus PRC Method
Base Year 2005

Window Service	USPS Method	PRC Method	Difference
Direct Labor Costs	Costs (\$000)	Costs (\$000)	Costs (\$000)
DBMC	3,600	3,531	69
Non-DBMC	21,036	20,505	531
Total	24,636	24,036	600
Distributed Window Service	Costs	Costs	Costs
Volume-Variable Costs	(\$000)	(\$000)	(\$000)
DBMC	3,970	3,985	-14
Non-DBMC	23,201	23,137	63
	27,171	27,122	49

1 Source: USPS-LR-L-86, USPS-LR-L-109