



Highlights of USPS Product Cost Workshop

Tim O'Reilly

MTAC
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Project Background

- There have been criticisms of current costing system
- We have developed a costing systems review team
 - Gathering feedback from external customers
 - Gathering feedback from internal customers
 - Will examine feasibility of suggestions
- Purpose - To develop recommendations to improve cost reporting so that it will provide management the right tools to manage the business – both in terms of making decisions about operational changes and in making product and pricing decisions

Break Out Session Topics

- Understanding Bottom Up Costing
 - Specifically define bottom up costing.
 - What are the risks/costs/benefits of using?
- Data Source Discussion (IMB, IOCS, etc)
 - Discuss if and when IOCS sampling should be replaced by another data source (ex. IMB).
 - What are the risks/costs/benefits?
- Workshare Model Discussion
 - What should be measured / included in the cost avoidance estimates
 - What are the risks/cost/benefits
- Cost Data Discussion
 - Is there cost information that USPS does not either currently produce or provide, that you believe you need?
 - What are the risks/costs/benefits?

Bottom Up Costing

- Start with cheapest piece and work up from there
- Look at should costs / minimal handling
- Use only direct costs, not institutional
- Start with actual measurable costs
- Risk: There will be winners and losers; some could experience large price increase and be driven out of mailstream

Data Source (IOCS / IMB)

- IMB should be used as checks and balances against IOCS, not enough IMB data to replace IOCS
- Need way to ensure IMB is measuring correct activity; i.e. doesn't make sense for parcel to be on letter sorting equipment
- Does not allocate costs properly - lack of transparency and understanding in how process happens

Workshare Model Discussion

- Imprecise; does not capture all work done
- Need to look at lowest combined cost of both Mail Service Provider and USPS, including fuel costs and capital costs
- Need accurate entry points and downflows – possibly use IMB; cost models should be updated with accurate information

Cost Data Discussion

- Want CRA data by product (more detail), not segment
- Want explanation of why costs increase faster than CPI and wages
- USPS does not provide ROIs for data costs (requirements)
- Presently cost information not being shared as should be (i.e. FSS); Risk is lack of trust

Next Steps

- Send a summary of feedback to you by end of next week
- We will share recommendations and justification with you in early November

- Contact Info:

Tim.O'Reilly@usps.gov

202 268-5521

Jennifer.Bradley@usps.gov

202 268-3411