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POSTAL RATE COMMISSION
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

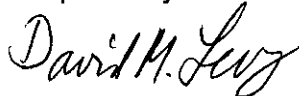
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Docket No. R2000-1
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Postal Rate and Fee Changes, 2000
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**FIRST INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS
TO USPS WITNESS RAMAGE (ANM/USPS-T2-1-14)**

The Alliance of Nonprofit Mailers ("ANM") respectfully submits the attached interrogatories and document requests to USPS witness Mark F. Ramage (USPS-T-2). ANM incorporates by reference the instructions in OCA interrogatories OCA/USPS-1-14 (filed Jan. 24, 2000).

Respectfully submitted,



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QUESTIONS

ANM/USPS-T2-1.

(a) Please provide a table showing, for each of the fiscal years 1990 through 1999: (a) the total number of IOCS tallies for Cost Segment 3.1, Mail processing, and (b) a breakdown of those tallies into direct tallies, mixed mail tallies, and not handling mail tallies.

(b) Provide a similar table for Cost Segment 6.1, In-office Carrier Cost.

(c) For each of the same years, please specify the number of direct tallies for Carrier route ("ECR") commercial and nonprofit Standard A (formerly third-class) mail.

ANM/USPS-T2-2. During the period FY 1990 through FY 1999, the Postal Service has increased the volume of letter mail sorted on automation equipment and the volume of flats sorted on mechanized equipment. At the same time, the percentage of not handling tallies has also increased.

(a) Please explain why automation and mechanization have resulted in so many more not handling IOCS tallies.

(b) Please produce all studies, analyses, reports and similar documents generated since Docket No. R97-1 that support your response to part (a).

ANM/USPS-T2-3. Witness Kingsley, USPS-T-10, describes the Postal Service's plans to introduce automated flat sorting equipment and reduce the amount of manual and mechanized sorting of flats. Once all of the AFSM 100s described in her testimony are fully deployed, do you expect that will result in a further increase in (i) the percentage of

not handling tallies, and (ii) the percentage of mixed mail tallies? Please explain.

ANM/USPS-T2-4. Witness Kingsley, USPS-T-10, also describes the Postal Service's plans for increased use of robotics and tray management systems. Please explain how widespread deployment of robotics and tray management systems is likely to affect the percentages of not handling and mixed mail tallies.

ANM/USPS-T2-5. Please confirm that within MODS pools, mixed mail tallies are distributed to the classes and subclasses of mail in proportion the direct tallies. If you do not confirm, please explain how costs associated with mixed mail tallies are distributed.

ANM/USPS-T2-6. Please confirm that, if the costs associated with mixed mail tallies are distributed within MODS pools in proportion to direct tallies, mixed mail tallies add no independent information to cost estimates for the classes and subclasses of mail. If you fail to confirm unconditionally, please:

- (a) Explain fully.
- (b) Explain how the cost distribution can change as the proportion of mixed tallies increases or decreases.
- (c) Identify any other additional information that you contend is gained from mixed mail tallies.

ANM/USPS-T2-7. Please confirm that within MODS pools, "not handling" mail tallies are distributed to the classes and subclasses of mail in proportion the direct tallies. If you do not confirm, please explain how costs associated with not handling mail tallies are distributed.

ANM/USPS-T2-8. Please confirm that, if the costs associated with “not handling” mail tallies are distributed within MODS pools in proportion to direct tallies, “not handling” mail tallies add no independent information to cost estimates for the classes and subclasses of mail. If you fail to confirm unconditionally, please:

- (a) Explain fully.
- (b) Explain how the cost distribution can change as the proportion of “not handling” tallies increases or decreases.
- (c) Identify any other additional information that you contend is gained from “not handling” mail tallies.

ANM/USPS-T2-9. Please refer to your testimony at page 6, lines 14-20, where you discuss the coefficient of variation (“CV”).

- (a) In terms of the reliability of the mail processing cost estimates produced by the IOCS, is a mixed mail tally as accurate and reliable an indicator of cost as is a direct tally? Please explain fully.
- (b) How are mixed mail tallies treated when computing the CV? In particular, are mixed mail tallies included in “n,” where “n” represents the total number of observations? If so, please provide the theoretical justification for including the number of mixed mail tallies in “n.”
- (c) For any given sample size, what effect does the percentage or proportion of mixed mail tallies have on the CV?

(d) How are not handling mail tallies treated when computing the CV? In particular, are not handling mail tallies included in "n," where "n" represent the total number of observations? If so, please provide the theoretical justification for including the number of not handling mail tallies in "n."

(e) For any given sample size, what effect does the percentage or proportion of not handling tallies have on the CV?

ANM/USPS-T2-10. The 29 CV's for Cost Segment 3.1 Mail Processing—Clerks and Mailhandlers, shown in your Table 1, range were distributed as follows in BY98.

| Range of CV | Number |
|-------------|--------|
| 0.00—1.00 | 2 |
| 1.01—2.01 | 3 |
| 2.01—3.00 | 3 |
| 3.01—4.00 | 4 |
| 4.01—5.00 | 4 |
| 5.01—10.00 | 5 |
| 10.01—20.00 | 4 |
| 20.01—40.00 | 1 |
| > 40.01 | 3 |
| Total | 29 |

What was the comparable distribution in fiscal years 1990 through 1997? In responding to this question, you may use a different distribution if you so desire, but please provide comparable distributions for the fiscal years 1990 through 1998.

ANM/USPS-T2-11. The CVs shown in your Table 1 range from a low of 0.46 percent to a high of 66.87 percent. The Postal Service and the Commission, of course, use only the point estimates of cost produced by the IOCS. How high can the CV's be and still provide confidence that the point estimate of cost is in fact a reliable indicator of

the true cost?

ANM/USPS-T2-12. Referring to the distribution of CVs shown in ANM/USPS-T2-9, which of the CVs shown there are would you consider to be so high as to render the cost estimate either unreliable, or likely to result in substantial variation from case to case?

ANM/USPS-T2-13. USPS witness Sharon Daniel (USPS-T-28) uses IOCS tallies to estimate the cost of First-Class Mail, Periodicals, and Standard A mail by weight increment.

(a) Can the formula which you use to compute the CV for cost estimates by subclass also be used to compute the CV for the cost estimates by weight increments in witness Daniel's testimony? Please explain.

(b) Please provide the CV's for each weight increment cost estimate developed by witness Daniel, and explain what formula you use for this purpose.

ANM/USPS-T2-14. USPS witness Sharon Daniel states that the "IOCS was not specifically designed for the purpose of measuring the impact of weight on costs." USPS-T-28, p. 4, lines 24-28.

(a) Do you agree?

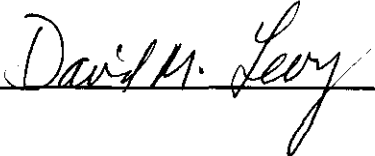
(b) If your answer to part (a) is anything but unqualified agreement, please explain fully.

(c) If the Postal Service contends that the IOCS produces a valid and reliable measure of the effect of weight on costs, please produce all studies, analyses, and similar

documents generated since Docket No. R97-1 that support this contention.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



February 22, 2000