

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS CRUM TO POSTCOM INTERROGATORIES
(POSTCOM/USPS-T27-1-5)

The United States Postal Service hereby provides the response of witness Crum to the following interrogatories of the Association for Postal Commerce:

PostCom/USPS-T27-1-5, filed on February 9, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Richard T. Cooper

475 L'Enfant Plaza West, S.W.
(202) 268-2993; Fax: -5402
Washington, D.C. 20260-1137
February 23, 2000

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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OF ASSOCIATION FOR POSTAL COMMERCE**

PostCom/USPS-T-27-1.

You testify, at page 8, lines 8 – 11, that:

In Docket No. R97-1, the Postal Service proposed explicit econometric-based volume variability factors as part of their mail processing cost presentation. That was not done in this docket for effectively all of the parcel operations and some portion of the flats operations.

(a) What do you mean by the word "effectively"; identify all parcel operations in which explicit econometric-based volume variability factors were employed with citations to the presentation of this analysis.

(b) Identify the portions of flats operations for which econometric-based volume variability factors (i) were, and (ii) were not proposed with citations to the presentation of each variety of analysis.

RESPONSE

a. The cost pools and their associated volume variability factors are listed in the direct testimony of Witness Van-Ty-Smith (USPS-T-17), pages 24 and 25. The cost pools with econometric-based volume variability factors are marked with an asterisk. What I mean by "parcel operation" or "flat operation" are those cost pools that contribute the most to the total costs of that shape of mail. In the statement that you reference above, I was trying to get across a complicated point with language that was probably too brief.

There are 54 separately calculated volume variability factors each corresponding to a separate cost pool. Of those 54, 12 have econometrically-derived volume variability factors. While one could do a comprehensive analysis of this question by comparing the volume variability factors referenced in witness Van-Ty-Smith's testimony above with the Base Year cost pool costs of flats (pages V-33 through V-36) and parcels (pages V-37 through V-40) presented in

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USPS LR-I-81, a relatively simple example would better get at the point I was trying to make. In the Regular subclass, of the five cost pools with the highest costs for flats, two of them (#1 highest - FSM/ and #3 highest - MANF) have econometrically-derived volume variability factors. The others do not. Of the five cost pools with the highest costs for parcels, none of them have econometrically derived volume variability factors. That is what I meant by "effectively". Other cost pools that contribute fewer costs to parcels may indeed have econometrically-derived volume variability factors and this could vary somewhat by subclass. All the information necessary to confirm or deny this is available in the data sources cited above.

b. See my response to (a).

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PostCom/USPS-T-27-2.

Please supply the "special study" referred to at page 8 line 23 of your testimony.

RESPONSE

That study already has been provided as USPS LR-PCR-38, Appendix C, in

Docket No. MC97-2. Please also see the attachment to my response to

PostCom/USPS-T-27-3(a).

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PostCom/USPS-T-27-3.

You indicate at page 9 lines 1 – 4 that you “have chosen to use the average density for all Standard (A) parcels from that study . . .”

(a) Please describe every alternative measure of density that you analyzed, with citations to the source of that density and, if created by a calculation done by you, the calculation and sources of every factor in it.

(b) Disclose the basis on which you came to believe that each of the alternative densities disclose (sic) above was less reasonable than the average density that you employed.

RESPONSE

a. For this docket, the only two options I considered were using subclass specific densities from the referenced study or using the average density for all subclasses. As described in my testimony, I chose the latter. The relevant sheet from the MC97-2 study is attached for your convenience. It was also provided in response to AMMA/USPS-T28-8 in Docket No. R97-1.

b. The purpose of this section of my testimony is to estimate the average cost difference between parcels and flats in all of Standard Mail (A). Whether I use the one average density or subclass specific densities should not affect my final total results. The subclass specific results in Tables 3.1 through 3.4 are included because external parties expressed an interest in those numbers in Docket No. R97-1.

Over 90 percent of the pieces in the sampled universe in the MC97-2 study were in the Regular subclass (labeled Bulk Reg Other). Thus, that subclass might be less subject to variation than other subclasses. Some of the other subclasses (for example NP Other) had results that seemed to be more

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variable by processing category. The difference between the Bulk Reg Other results and the averaged total results is very small (8.18 versus 8.12). I therefore chose to simply use the averaged total results of 8.12 for all subclasses. Again, this decision should not have any significant impact on the final total results.

ATTACHMENT TO CROM RESPONSE TO POSTCOM 3(a)

Table C-1
Third-Class Parcel Characteristics Study
Average Weight and Average Cube by Subclass

	Rate Category	IPP Machinable	IPP Non-machinable	Parcel Machinable	Parcel Outside	Total
Pieces	Bulk Reg CRT	332,293	4,315,512	0	0	4,647,805
	Bulk Reg Other	6,122,312	22,790,532	35,231,517	9,606	64,153,967
	NP CRT	3,173	3,637	0	0	7,010
	NP Other	23,840	692,747	694,544	39,091	1,450,222
	Total Bulk 3C					70,259,004
Weight (pounds)	Bulk Reg CRT	47,828	607,037	0	0	654,865
	Bulk Reg Other	2,347,715	5,387,507	23,468,088	6,472	31,209,782
	NP CRT	1,196	1,489	0	0	2,685
	NP Other	9,613	250,847	483,160	11,336	754,956
						32,622,288
Cube (inch³)	Bulk Reg CRT	12,305,720	244,924,839	0	0	257,230,559
	Bulk Reg Other	552,562,275	1,424,744,955	4,611,017,833	1,883,677	6,590,208,740
	NP CRT	190,394	230,244	0	0	420,638
	NP Other	562,174	33,376,536	55,158,815	8,540,693	97,638,218
	Total Bulk 3C					6,945,498,156
Avg Weight (ounces)	Bulk Reg CRT	2.30	2.25			2.25
	Bulk Reg Other	6.14	3.78	10.66	10.78	7.78
	NP CRT	6.03	6.21			6.13
	NP Other	6.45	5.79	11.13	4.64	8.33
	Total Bulk 3C					7.43
Avg Density (lbs/ft³)	Bulk Reg CRT	6.72	4.28			4.40
	Bulk Reg Other	7.34	6.53	8.79	5.94	8.18
	NP CRT	10.85	11.18			11.03
	NP Other	29.55	12.99	15.14	2.29	13.36
	Total Bulk 3C					8.12

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PostCom/USPS-T-27-4.

You testify, at page 9 lines 14 – 15 that “Window service costs by shape were developed from a new analysis . . . taken from the testimony of witness Daniel.”

(a) Please disclose each element of witness Daniel’s testimony that you took in this regard with citation to the place(s) in her testimony where that material appears.

(b) Witness Daniels (sic) testifies that one purpose of her presentation is to supply “a general indication of how costs are influenced by weight.” USPS-T-28 at 1, line 7. Do you believe that the material taken from her testimony is appropriately used by you given that general disavowal of specificity? Please explain any affirmative answer.

RESPONSE

a. This section of my testimony is not intended to supply exact citations, but is presented only to give a general idea where the data I used in my analysis is coming from. More precise citations can be found in Attachment F, Tables 3.1-3.4 of my testimony. Regardless of my intent, please see witness Daniel’s testimony at page 6, lines 10-20. She refers to USPS LR-I-99 as the direct source of the numbers. The numbers presented in Attachment F, Tables 3.1-3.4 of my testimony can be found in Section IV, page 2 of USPS LR-I-99. Dividing the costs by shape (Letters, Flats, and Parcels) by the Total for each subclass gives the percentages presented in my testimony.

b. Yes. I use only the total Window Service costs by shape and not the across-the-board costs by weight increment that witness Daniel uses and is referring to in the passage you cite.

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PostCom/USPS-T-27-5.

In the portion of your testimony cited in interrogatory cited in USPS-T-27-4 above, you testify that the "new analysis [was] presented in the testimony of witness Degen." Supply citations to every place in witness Degen's testimony in which the analysis to which you refer appears.

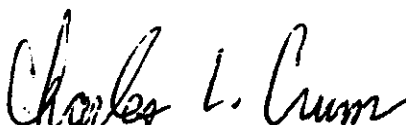
RESPONSE

My testimony should have cited a new analysis presented in the testimony of witness Van-Ty-Smith (USPS-T-17) and not witness Degen (USPS-T-16).

Witness Van-Ty-Smith references the Window Service cost presentation on pages 20-21 of her testimony and further refers to Part IV of LR-I-106. Please also see my response to Postcom/USPS-T-27-4(a) above.

DECLARATION

I, Charles L. Crum, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


CHARLES L. CRUM

Dated: 2-23-00

CERTIFICATE OF SERVICE

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


Richard T. Cooper

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