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 OCA INTERROGATORIES (OCA/USPS-T27-8-9)

The United States Postal Service hereby provides the response of witness Crum to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T27-8-9, filed on February 11, 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.
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February 28, 2000

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF OFFICE OF THE CONSUMER ADVOCATE

OCA/USPS-T-27-8.

Please refer to your testimony at page 5, lines 1-11.

(a) Please define the terms "implicit volume variability" and "cost pool adjustment factor" as you use these terms in line 5 and provide an example of each.

(b) Have you assumed the mail processing variabilities to be at or near 100 percent for the purpose of calculating mail processing cost savings? Please explain fully any negative answer.

(c) Please provide a representative calculation of a cost savings for Standard (A) mail using the variabilities contained in USPS-T-17, Table 1.

(d) What is the economic justification for using volume variabilities of less than 100 percent to calculate attributable costs of mail processing on the one hand, and using variabilities at or near 100 percent to calculate cost savings for discounts on the other hand? Please explain fully.

RESPONSE

a. I mean no difference between the terms "implicit volume variability" and "cost pool adjustment factor". Both mean the same thing as "Pool Volume-Variable Factor" as described in the testimony of witness Van-Ty-Smith. These factors are listed in the testimony of witness Van-Ty-Smith, pages 24-25. An example of both would be PSM (BMC Group - Parcel Sorting Machine) = 1.000.

b. Please see my response to OCA/USPS-T-27-1(b) and witness Bozzo's response to OCA/USPS-T-27-3(a).

c. I have reproduced and attached a sheet similar to Attachment E, Table 7 in a printed format that will provide representative calculations.

d. I use the identical variabilities in my cost savings for discount calculations as those used to calculate the volume-variable costs of mail processing. Please see my response to OCA/USPS-T-27-1(b). The premise of the question is incorrect and there

is no difference in methodology to justify.

ATTACHMENT TO CRUM'S RESPONSE TO OCA/USPS-T27-8C

Attachment E, Table 7 (Reproduced)
Productivities and Conversion Factors used in Pallet Models

Operations	(1) MTM Prod. (min per pallet)	(2) BMC Pool Vol. Var. Factor	(3) SCF Pool Vol. Var. Factor	(1*2) BMC Prod. (w/ variab.)	(1*3) SCF Prod. (w/ variab.)
Transport ...	1.9704	0.946	0.896	1.8640	1.7655
Transport ...	0.6426	0.917	0.917	0.5893	0.5893
Transport ...	1.3877	0.946	0.896	1.3128	1.2434
Transport ...	1.2852	0.946	0.896	1.2158	1.1515

From USPS-T-17, Table 1, pages 24 and 25.
0.946 = Pool Volume-Variability Factor for BMC Group - Platform
0.917 = Pool Volume-Variability Factor for NON-MODS Group - Allied Operations
0.896 = Pool Volume-Variability Factor for MODS 1 & 2 Facilities - Platform

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
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OCA/USPS-T-27-9.

Please refer to your testimony at page 8, lines 3-6. What would change in your analysis if you used 1999 data for the purpose of calculating Standard (A) mail nonletter cost differences? Please explain fully.

RESPONSE

Because of the uncertainties related to the issue described on page 7, lines 18-22 of my testimony, it might be difficult to accurately separate the volumes, revenues, and CRA costs by shape using 1999 data. At this point, I believe I could best estimate the 1999 unit cost difference between flats and parcels in Standard Mail (A) by taking the 1998 data and adjusting those results by the change in average postal wages between 1998 and 1999. My estimate of the Test Year 2001 unit cost difference between flats and parcels in Standard Mail (A) would remain unchanged.

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

CHARLES L. CRUM

Dated: 25 FEBRUARY 2000

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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