Docket No. R2000-1

Postal Rate and Fee Changes, 2000

SECOND INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS TO USPS WITNESS RAMAGE (ANM/USPS-T2-15-19)

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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February 29, 2000

QUESTIONS

ANM/USPS-T2-15. During Base Year 1998, what was the Postal Service's total expenditure on the IOCS? Please break down the total into IOCS tally clerks, training, computer processing, etc.

ANM/USPS-T2-16. Witness Kingsley, USPS-T-10, describes future plans to mechanize and automate mail handling further, including automation of flats processing, possible DPS-ing of flats, tray management systems, robotics, mail cartridge systems for DBCSs, etc.

(a) Please confirm that prior automation has been accompanied by a decrease in the percentage of direct IOCS tallies and an increase in the number of mixed mail and not handling tallies. If you fail to confirm without qualification, please explain fully your answer, and produce or provide page citations to all data on which you reply.

(b) Is there any reason to doubt that the percentage of direct tallies will diminish further with continued increases in mechanization and automation? Please explain any answer that is not an unqualified negative.

(c) Please confirm that a continued diminution of direct IOCS tallies is likely to lead to further increases in the range of the coefficient of variation at the 95% confidence level, a further diminution in the reliability of IOCS cost estimates, and increasing year-to-year variability in mail processing cost estimates. Please explain any answer that is not an unqualified confirmation.

ANM/USPS-T2-17. What is the role of the IOCS in a "lights-out" facility (such as the Postal Service's experimental facility in Ft. Myers, Florida is reported to be) where

most of the labor is involved in loading and off-loading trucks, moving empty equipment, removing occasional machine jams, maintenance and repairs, etc.?

ANM/USPS-T2-18. During the years FY 1998-2001, how much has the Postal Service programmed to spend on research and development for new systems to track and develop mail processing costs in the approaching automation environment?

ANM/USPS-T2-19. This question refers to attachment ANM/USPS-T2-19, which is hereby incorporated as part of the question. The mail processing cost and volume data in the attachment are from LR-I-96. The percentages in the bottom portion are computed from the data in the top part.

(a) Please confirm that the mail processing cost and volume data in the top portion have been correctly transcribed. If you do not confirm, provide the correct data.

(b) Please confirm that, for shape, presort condition and weight, the three Commercial ECR letter categories shown here (Basic, Auto and High Density/Saturation combined) constitute reasonably homogeneous subcategories vis-à-vis their respective Nonprofit ECR letter counterparts? If you do not confirm, please provide and discuss all significant cost-causing differences.

(c) The bottom portion of the table in the attachment indicates that, for Auto ECR letters, the Nonprofit Test Year volume (439 million) amounts to 17.4 percent of the Commercial volume (2,528 million), while nonprofit dollar-weighted IOCS tallies in Test Year amount to 17.9 percent of commercial. Please confirm that the similarity of the two percentages is unsurprising in light of the homogeneity of the mail. Please explain fully any failure to confirm.

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(d)   The bottom portion of the table also shows that in Test Year Basic Nonprofit ECR, letters Nonprofit receive 28.9 percent of the dollar-weighted amount attributed to Commercial ECR letters, yet the volume of Nonprofit ECR Basic letters (888 million) amounts to only 12.3 percent of the volume of Commercial ECR Basic letters (7,212 million). If Nonprofit and Commercial ECR Basic letters have an equal chance of being sampled each time an IOCS tally happens to be taken from ECR Basic letters, what is the probability of drawing a sample that is so disproportionate to the volumes of each respective rate category? What is the coefficient of variation (CV) for the mail processing cost estimate for Nonprofit Basic ECR letters?

(e)   For all ECR non-letters combined, Nonprofit volume (934 million) amounts to 4.6 percent of Commercial volume (20,502 million) while Nonprofit mail processing cost (based on dollar-weighted IOCS tallies) amounts to 12.0 percent of Commercial. If Nonprofit and ECR non-letters have an equal chance of being sampled each time an IOCS tally happens to be taken from ECR non-letters, what is the probability of drawing a sample that is so disproportionate to the volumes of each respective category? What is the coefficient of variation for the mail processing cost estimate for (i) Nonprofit Basic non-letters, (ii) Nonprofit High Density/Saturation non-letters, and (iii) all Nonprofit non-letters combined?

(f)   For all ECR combined, Nonprofit volume (2.9 million) amounts to 8.6 percent of Commercial volume (33.6 billion), while dollar-weighted Nonprofit mail processing cost (based on IOCS tallies) amounts to 17.3 percent of Commercial. If Nonprofit ECR mail has an equal chance of being sampled each time an IOCS tally happens to be taken from ECR mail, what is the probability of drawing a sample what is so disproportionate to the

volumes of each respective category? What is the coefficient of variation for the mail processing cost estimate for all Nonprofit ECR mail?

(g)   The table in the attachment relies solely on dollar-weighted IOCS tallies. For each mail processing cost estimate shown in the top portion of the table, please provide the number of direct tallies that underlie and form the basis for the dollar-weighted cost estimate. If the raw tallies are not distributed in proportion to the dollar-weighted cost estimates, please explain (i) which operations and their associated tallies have a higher-than-average cost, and (ii) why were nonprofit tallies disproportionately distributed among the operations with higher-than-average cost.

(h)   As pointed out in the preceding part (f), the volume of all Nonprofit ECR (2.9 million) amounts to only 8.6 percent of Commercial volume (33.6 billion). On a percentage basis, the volume of Nonprofit ECR might reasonably be described as "small," if small is defined as anything less than 10 percent.

(i)   From a statistical viewpoint, does 2.9 million pieces constitute a relatively small volume for obtaining reasonably accurate mail processing cost estimates that are not likely to offer much variation owing to random differences in the sample?

(j)   How large do the volume and the sample have to be before one can expect relatively little variation in the cost estimate owing to random variation?

	Test Year IOCS Mail Processing Cost (from LR-I-96)			GRAND TOTAL	Test Year Vol. (from LR-I-96, p. 17)
	MODS	BMCs	Non-MODS		
Commercial ECR					
Letters					
Basic	107,300	8,962	26,940	143,202	7,212,310
Auto	32,376	3,458	9,498	45,332	2,527,648
High-D					
Saturation	13,399	190	6,561	20,150	3,388,002
Subtotal	153,075	12,610	42,999	208,684	13,127,960
Non-letters					
Basic	171,452	15,550	53,076	240,078	10,981,789
High-D					
Saturation	10,641	747	10,753	22,141	9,520,767
Subtotal	182,093	16,297	63,829	262,219	20,502,556
TOTAL	335,168	28,907	106,828	470,903	33,630,516
Nonprofit ECR					
Letters					
Basic	33,808	1,565	5,974	41,347	888,012
Auto	6,898	428	788	8,114	439,312
High-D					
Saturation	510	0	0	510	645,932
Subtotal	41,216	1,993	6,762	49,971	1,973,256
Non-letters					
Basic	17,814	6,503	6,014	30,331	629,104
High-D					
Saturation	703	0	424	1,127	304,847
Subtotal	18,517	6,503	6,438	31,458	933,951
TOTAL	59,733	8,496	13,200	81,429	2,907,207

Non-Profit as a Percent of Corresponding Commercial Rate

Nonprofit ECR					
Letters					
Basic	31.5%	17.5%	22.2%	**28.9%**	**12.3%**
Auto	21.3%	12.4%	8.3%	**17.9%**	**17.4%**
High-D					
Saturation	3.8%	0.0%	0.0%	**2.5%**	**19.1%**
Subtotal	26.9%	15.8%	15.7%	**23.9%**	**15.0%**
Non-letters					
Basic	10.4%	41.8%	11.3%	**12.6%**	**5.7%**
High-D					
Saturation	6.6%	0.0%	3.9%	**5.1%**	**3.2%**
Subtotal	10.2%	39.9%	10.1%	**12.0%**	**4.6%**
TOTAL	17.8%	29.4%	12.4%	**17.3%**	**8.6%**

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.

David M Levy

February 29, 2000