

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 UNITED STATES POSTAL SERVICE
WITNESS BOZZO TO INTERROGATORIES OF
THE ASSOCIATION OF AMERICAN PUBLISHERS
(AAP/USPS-T15-1-9)

The United States Postal Service hereby provides the responses of witness Bozzo to the following interrogatories of the Association of American Publishers:
AAP/USPS-T15-1-9, filed on March 10, 2000.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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March 24, 2000

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-1 On page 32 (line 18) and page 33 (line 1) of your testimony, you state "[w]hether the Postal Service's actual plans and procedures are cost minimizing is beyond the scope of this testimony." With respect to this statement, please confirm that neither you nor any other USPS witness in this case has analyzed or addressed in any way whether the Postal Service's actual plans and procedures are cost minimizing. Please provide a full explanation for your answer.

AAP/USPS-T15-1 Response.

The presence of the cited passage in my testimony indicates that I address the issue of cost minimization in some way, therefore I cannot confirm the statement.

The primary purpose of the full passage that includes the quoted statement—see USPS-T-15 from page 32, line 1, to page 34, line 2—was to indicate that my analytical methods for estimating volume-variability factors are applicable whether or not the Postal Service's plans and procedures are cost minimizing. However, I confirm that I did not analyze whether or not those operating plans and procedures are cost minimizing. Whether any other Postal Service witness in this case has addressed cost minimization in any way is beyond the scope of my testimony, although I am not aware of any who have.

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-2 On page 107 of your testimony at Table 3, you present a summary of sample selection rules for various MODS cost pools. Please provide the same information shown on Table 3 for the following MODS cost pools:

- a. MECPARC "Mechanized Parcels"
- b. LD43 "LDC 43 – Unit Distribution Manual"
- c. LD44 "LDC 44 – Post Office Box Distribution"
- d. LD48 "LDC48– Customer Service/Spec. Service"
- e. LD49 "LDC 49 – Computerized Forwarding System"
- f. MODS 99 1 Supp-F1
- g. MODS 99 1 Supp F4

AAP/USPS–T15–2 Response.

The table referenced in the interrogatory provides a summary of the *effect* of the sample selection rules on the regression samples for the mail processing operations I analyzed econometrically. I did not conduct an econometric analysis for any of the MODS operations listed in the interrogatory. Therefore, no comparable information exists. Please also see USPS-T-15 at pages 133-135 for additional discussion.

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-3 On page 109 (lines 14-16) of your testimony, you state that for manual parcel operations, "a non-negligible fraction of the observations" or 3.8%, report fewer than forty work-hours per quarter. With respect to this statement, please provide all underlying data used to derive the figure of 3.8%.

AAP/USPS-T15-3 Response.

The referenced percentage (as well as a corresponding percentage for the manual Priority operation group) was intended to be calculated from the data in Table 3, at page 107 of USPS-T-15. The TSP output files from which I obtained the observation counts in Table 3 are provided in USPS-LR-I-107. However, it appears the percentages were transcribed incorrectly. The correct percentages are 3.6% and 1.3%. The derivation is provided in the table below.

Column	(1)	(2)	(3)	(4)
Item	Non-missing observations	Observations passing threshold check	Difference	Percent difference
Column source	USPS-T-15, Table 3, "Non-missing" column	USPS-T-15, Table 3, "Threshold" column	Col. 1-Col. 2	Col. 3/Col. 1
Manual parcels	5835	5625	210	3.6%
Manual Priority	5717	5644	73	1.3%

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AAP/USPS-T15-4 On page 109 of your testimony (lines 16-19), you state "[e]xamining the data, I found evidence that hours, volumes, or both are likely to be erroneous for most of the manual parcel and manual Priority Mail observations removed from the sample by the threshold check." With respect to this statement, please identify and provide all manual parcel data examined by you and a description of the procedure used to conclude that "hours, volumes or both" were likely to be erroneous.

AAP/USPS-T15-4 Response.

The data I analyzed are provided in the reg9398.xls data file in USPS LR-I-107.

The summary analysis upon which the quoted statement is based is provided in USPS-T-15, at page 100 (Table 4).

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-5 On page 126 of your testimony at Table 9, you compare volume variability for manual parcels in BY 1996 (R97-1) and BY 1998. The variability measured for manual parcels in BY 1998 is 32.2% greater than the estimate prepared by Dr. Bradley in R97-1. Please explain why the volume variability for manual parcels has increased so dramatically since R97-1.

AAP/USPS-T15-5 Response.

Please see USPS-T-15 at page 127, lines 5-8, where I state, "[T]here are large upward revisions to the manual parcel and Priority variabilities, due largely to the application of tighter sample selection rules." The specific sample selection rule to which I refer in the statement is the productivity check. Please see USPS-T-15 at pages 101-102 and 110-112 for a discussion of the productivity checks applied in my study and Dr. Bradley's study.

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-6 On page 135 (lines 13-15) of your testimony, you state that "[i]nsofar as the Postal Service does not have additional evidence that might persuade the Commission to adopt Dr. Bradley's models and results, it was decided to use the previously accepted variability method for the BMCs." With respect to this statement:

- a. Please provide any calculations performed by you or any other Postal Service witnesses that illustrate the effect of Dr. Bradley's models and results on BMC costs in this case.
- b. Please state if, and when, the Postal Service intends to update Dr. Bradley's BMC models.

AAP/USPS-T15-6 Response.

- a. The data required to compare the effect of Dr. Bradley's estimated BMC volume-variability factors may be found in witness Degen's testimony in Docket No. R97-1, USPS-T-12 at page 15, and witness Van-Ty-Smith's testimony in Docket No. R2000-1, USPS-T-17 at page 25. In the attached table, I compute the BY 1998 volume-variable costs that would be obtained by applying Dr. Bradley's Docket No. R97-1 volume-variability factors to the BY 1998 BMC cost pools, and the percentage difference between that figure and the BY 1998 BMC volume-variable costs using the method proposed by the Postal Service.
- b. Please see the responses to OCA/USPS-T15-19 and 20.

Comparison of BMC Volume-Variable Cost under Alternative Volume-Variability Methods

(1)	(2)	(3)	(4)	(5)	(6)
SAS cost pool code	Pool Total Cost, BY 98	Pool Volume-Variable Cost, BY98	Docket No. R97-1 Volume-Variability Factor	BY 98 Volume-Variable Cost, using Docket No. R97-1 Variabilities	% Difference due to Variabilities
Docket No. R2000-1, USPS-T-17, page 25			Docket No. R97-1, USPS-T-12, page 15	Col. 2 x Col. 4	(Col. 5 - Col. 3) / Col. 2
PLA	207,947	196,718	53.3%	110,836	-41.3%
OTHR	251,839	248,565	60.5%	152,363	-38.2%
PSM	92,698	92,698	91.2%	84,541	-8.8%
SSM	34,213	34,213	99.1%	33,905	-0.9%
SPB	64,180	64,180	73.6%	47,236	-26.4%
NMO	33,824	33,824	67.2%	22,730	-32.8%
Total	684,702	670,198		451,610	-31.9%

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AAP/USPS-T15-7 On page 136 (lines 5-9) of your testimony, you state "I cannot rule out the possibility that the PIRS data issues are serious, but note that the PIRS workload data would have to be so noisy as to be useless in order for the IOCS-based method not to significantly overstate the BMC volume-variable costs relative to Dr. Bradley's methods." With respect to this statement, please provide any mathematical examples that demonstrate or illustrate the magnitude of the difference in volume variability for BMC costs that is produced using the IOCS-based method as compared to Dr. Bradley's methods.

AAP/USPS-T15-7 Response.

Please see the response to AAP/USPS-T15-6(a).

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-8 On page 137 (lines 14-15) of your testimony, you state that "[a]dditionally, descriptions of platform activities have long recognized that vehicle arrivals and departures are also drivers of platform workload." With respect to this statement, please confirm that the Postal Service has not incorporated vehicle arrivals and departures as cost drivers for platform activities in any of the cost studies filed in this case. If you cannot confirm, please provide an explanation and identify the costs studies that incorporate vehicle arrivals and departures as cost drivers.

AAP/USPS-T15-8 Response.

The Postal Service's other cost studies are beyond the scope of my testimony, therefore I cannot confirm or deny the statement. However, I am not aware of any studies that incorporate this information.

**Response of United States Postal Service Witness Bozzo
To Interrogatories of Association of American Publishers**

AAP/USPS-T15-9 On page 138 (lines 13-17) of your testimony, you state "I explored the applicability of data on the number of truck arrivals and departures from the TIMES system for use as a platform cost driver." Please provide a full description and summary of your use of the TIMES system to analyze platform costs. In addition, please explain when the TIMES system was first developed and used by the Postal Service.

AAP/USPS-T15-9 Response.

Please see my response to MPA/USPS-T15-1. It is my understanding that the TIMES system was in operation as of FY 1996. I do not know when the development of the system was started.

DECLARATION

I, A. Thomas Bozzo, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A. Thomas Bozzo

Dated: 3/24/00

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.

A handwritten signature in dark ink, appearing to read "Susan M. Duchek", is written over a horizontal line.

Susan M. Duchek

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