

UNITED STATES OF AMERICA  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes

Docket No. R2000-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 6  
(March 29, 2000)

The Postal Service is requested to provide the information described below to assist in developing a record for the consideration of its request for changes in rates and fees. In order to facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers at our hearings. The answers are to be provided within 10 days.

1. In Appendix B of witness Kashani's testimony, he identifies two adjustments to FY 1999 costs, the migration of Standard A Single Piece to First-Class and Priority Mail and a reporting change in International mail volume. Appendix B describes how the adjustments are made within the roll-forward process and Library Reference I-6 contains the roll-forward files that are used to implement the adjustment. However, no mention is made in the narrative of Appendix B as to whether any adjustment is made to the Space and Space-Related distribution keys, or any other of the distribution keys used in the development of the PESSA costs or the roll-forward process. Additionally, there is nothing in the Library Reference I-6, (VBL1.DAT file in the directory */cntlfile/fy99rcc/stat*) which indicates any adjustments made to the Space and Space-Related distribution keys, Equipment related distribution keys, or the Capital distribution keys for the migration of Standard A Single Piece to First-Class and Priority Mail. An examination of the electronic spreadsheets supporting witness Kashani's Appendix A do show an adjustment of the cost reduction and other programs distribution keys for

the Standard A migration adjustment. This adjustment, shown in file *apa99.xls*, page *adjustedfy99dks*, appears to mirror the adjustment for the cost components detailed in Appendix B.

Should adjustments be made to the Space and Space-Related distribution key or any of the other distribution keys used in the roll-forward process to reflect the two FY 1999 adjustments described in Appendix B of witness Kashani's testimony? If yes, please include a detailed list of the distribution key components affected and a detailed description of how the adjustments would be made in the Postal Service's CRA/Roll-Forward model and provide any and all corrections and/or additions to Workpapers and Library Reference I-6, if any.

2. The file VBL2.dat of USPS Library Reference I-6, at lines 00028613 through 00034700, lists the direct and indirect cost components used to develop the mail volume cost effect for components 9 (Supervision of Time & Attendance), 30 (Higher Level Supervisors), and 228 (Time and Attendance Clerks).

Cost component 30, Higher Level Supervisors, is listed as receiving a mail volume effect (Line 34501) and is also part of the list of direct and indirect cost components used to develop the mail volume cost effect for Higher Level Supervisors (Line 00030200).

An examination of the other VBL data files; VBL3.dat (Non-Volume Workload) and VBL4.dat (Additional Workday) show that component 29 (Supervision of E&LR) receives the indirect cost effect, not component 30.

Please explain the apparent discrepancy in the indirect cost treatment of component 30, Higher Level Supervisors, between the mail volume effect, the Non-Volume Workload effect, and the Additional Workday effect.

If there is no discrepancy, please explain why component 30 is included in the sum of direct and indirect costs used to determine the mail volume cost effect for component 30.

3. In the Additional Workday cost effect for FY 2000 and the Test Year (both before rates and after rates) it appears that component 192, Money Order Division Personnel, receives two different additional workday cost effects. First, in file VBL4.dat at Line 00050000, it receives a cost effect with the control string '01' and then at Line 005400006 it receives a cost effect with the control string '16'.

Please explain whether this treatment is correct. If not correct, which control string, '01' or '16' is the correct method to apply the Additional Workday cost effect to component 192.

4. This question relates to USPS LR-I-95.

a. Refer to the sheet named "Delivery Volumes," and consider the sheet as composed of blocks A through I. Blocks A-D are across the top, block E in the middle, and blocks F-I across the bottom. The implicit box volumes (Block D) could have been developed on a cell-by-cell basis by subtracting blocks A and B from block C. Instead, the totals in block D were developed by subtracting the totals in blocks A and B from the totals in block C, and then in a second step, the totals in block D were distributed to shape based on the shape distribution of block C. Please explain the rationale and assumptions involved in developing the shape distribution of the box volume in this way.

b. Refer to lines 12 and 13 of the sheet named "ecr splits." The unadjusted unit cost of WSS letters is 53 cents per piece and of WSS flats is 23 cents per piece. Without explanation, the relationship of these costs was apparently rejected and, after adjustment, these two costs were taken to be equal at 32 cents per piece. Please explain the rationale for this adjustment. Were any adjustment procedures considered that might have resulted in flats costing more than letters?

5. This question relates to spreadsheet NP2.xls in Postal Service Library Reference LR-I-203.

a. On the sheet "Comparison" cell B30 shows a value of  $-0.051$ . However, sheet "TYAR B.D." cell C57 shows  $-0.065$ . Please explain whether both are correct.

b. On the sheet "Rates" cell E70 shows 16.43 percent and sheet "TYAR B.D." cell D68 shows 15.24 percent. Please explain the relationship between these two numbers. Also, please explain the relationship between the volumes on the two sheets.

6. In response to AMPU/USPS-T-39-1(a), witness Mayo states that "there is no formalized use of Delivery Confirmation data to measure the quality of parcel delivery service." In responding to APMU/USPS-T39-1(b)-(c), the Postal Service states that "[d]elivery confirmation data, ODIS data and PETE data are available to Headquarters and Field operations management." In response to APMU/USPS-T34-10(b), which asked for Priority Mail delivery data available from the Delivery Confirmation system, witness Robinson stated: "I am informed that the requested data are not available."

a. Please describe in detail the Delivery Confirmation data that is collected for parcel post and Priority Mail.

b. For how long is this data retained?

c. What delivery confirmation data [have been], are made available to Headquarters and Field operations management?

7. Please refer to interrogatories UPS/USPS-T34-11 and 12, Attachment A. Attachment A purports to be a compensation attachment to Contract Postal Unit Contract No. 363199-U-0158, relating to a two-year contract for operating a Contract Postal Unit for the Postal Service. The attachment states that the operator will be paid 20 percent of the postal funds it receives and remits for the sale of domestic Priority Mail and domestic Express Mail, and 5 percent of the postal funds it receives and remits for the sale of all other postal products and services subject to the contract.

a. Is UPS's characterization of this document accurate?

b. Please describe the cost-benefit analysis or other considerations that led to establishing this compensation schedule. If documentation exists supporting this arrangement, please provide it.

c. Are payments under these contracts treated as product specific costs, that is, are payments made as a result of the sale of Priority Mail treated as a product specific cost of Priority Mail?

d. What are the percentages of total revenue from Express Mail and Priority Mail sold at Postal Service retail offices? What are the percentages of total revenue from Express Mail and Priority Mail at contract units where compensation is computed in such fashion?

8. Please describe the extent to which PETE and EXFC data are made public. Include in your response the extent to which the public data refers to performance between specifically identified geographic areas.

9. The Postal Service's response to DFC/USPS-49 includes an attachment describing the PETE system stating that it is modeled closely after EXFC. According to the attachment, data is collected for 85 performance clusters. For each quarter of FY 1998 and 1999, to what extent was First Class Mail delivered as fast or faster than Priority Mail for any of the 85 clusters? Explain in detail how you arrived at the analysis.

10. Please refer to the response of witness Robinson to DFC/USPS-T-34-13 concerning service commitments for Priority and First Class between 3-digit Zip Code pairs. Witness Robinson states that there are 849,106 valid 3-digit Zip Code pairs, and states there are 151 Zip Code pairs where Priority Mail provides overnight service while First-Class provides two-day service.

a. Please provide the number of Zip Code pairs where the service standard for

First Class equals that of Priority Mail, segregated into overnight, two-day and three-day service areas.

b. Please provide the number of Zip Code pairs where the service standard for First Class exceeds that of Priority Mail, segregated into overnight, two-day and three-day service areas.

c. Please provide the total overnight, two-day and three-day service standard Zip Code pairs for Priority Mail and First Class mail.

d. Witness Robinson states in the same interrogatory response that database errors appear to be responsible for the 49 Zip Code pairs where First-Class provides overnight service while Priority provides two-day service. Please clarify and update this conclusion.


11. In USPS-LR-I-196, in the Sales and Services Associate Training, Facilitator's Guide, NSN#7610 040008859, Course 23501-02 (September 1999), p. 111, reference is made to a Sommers Communication Video entitled "Priority Mail." Please supply a copy of the video.

12. The Postal Service is proposing to eliminate the one pound minimum weight requirement for parcel post and charge the minimum rate in each category for all pieces weighing up to two pounds (USPS-T-36 at 12). For inter-BMC that proposed rate is \$3.47. The Service is also proposing a new one pound Priority mail rate of \$3.45 (USPS-T-34 at 16). Please explain the rationale for a one pound priority rate that is lower than the one pound rate in parcel post.

13. In USPS-T-34 witness Robinson discusses the Emery adjustment which moves some of the costs of the Emery contract from the per piece to the per pound rate element in Priority mail. The adjustment is made by, "assuming that the Emery costs in cost segment 16 remain at the same level as in the base year and reallocating the

difference (based on base year proportions) between the test year and the base year Emery costs to cost segment 3.1 (Mail Processing Direct Labor), and cost segment 14 (Transportation).” Please explain the rationale for reallocating only the difference between the test year and the base year instead of the entire test year contract amount.

14. Please refer to USPS-T-37, WP-BPM-3. The billing determinant data are broken out by weight from 1 to 10 pounds. However, in R97-1 the maximum weight limit was increased from 10 to 15 pounds. Please explain how, in the rate design process, the weight increments 11-15 pounds are accounted for. Please provide a volume break out for the weight increments from 11 to 15 pounds.

  
Edward J. Gleiman  
Presiding Officer