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

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE
WITNESS BARON TO OCA INTERROGATORIES
(OCA/USPS-T12-8-11)

The United States Postal Service hereby provides the response of witness Baron

to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-

T12-8-11, filed on March 17, 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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March 31, 2000

OCA/USPS-T12-8.   Please refer to pages 39-41 of your testimony in Docket No. R97-1 (USPS-T-17). Please provide versions of Tables 14-16 that contain figures for base year 1998.

RESPONSE:

The following three tables are versions of tables 14-16 from my R97-1 testimony

updated with base year 1998 data.

Table 1. Comparison of BY 1998 Volume-Variable Costs, SDR Stops Previous vs. New Methodology ($000)			
Cost Element	Previous	New	Difference
Total Accrued Costs	$1,571,780	$1,571,780	
Fixed-Time Costs (to Access)		$220,025	
Volume-Variable Fixed-Time Costs		$18,324*	
Load-Time Costs	$1,571,780	$1,351,756	
Volume Effect Costs	$959,047*	$839,305*	
Coverage-Related Costs	$612,733		
Volume-Variable Coverage-Related Costs	$127,370*		
Total Volume-Variable Costs	$1,086,417	$857,629	-$228,788

* included in total

Table 2. Comparison of BY 1998 Volume-Variable Costs, MDR Stops Previous vs. New Methodology ($000)			
Cost Element	Previous	New	Difference
Total Accrued Costs	$948,109	$948,109	
Fixed-Time Costs (to Access)		$20,868	
Volume-Variable Fixed-Time Costs		$1*	
Load-Time Costs	$948,109	$927,241	
Volume Effect Costs	$617,494*	$667,614*	
Delivery Effect Costs		$66,644*	
Coverage-Related Costs	$330,615		
Volume-Variable Coverage-Related Costs	$30,040*		
Total Volume-Variable Costs	$647,534	$734,259	$86,725

* included in total

Table 3. Comparison of BY 1998 Volume-Variable Costs, BAM Stops Previous vs. New Methodology ($000)			
Cost Element	Previous	New	Difference
Total Accrued Costs	$336,286	$336,286	
Fixed-Time Costs (to Access)		$19,351	
Volume-Variable, Fixed-Time Costs		$608*	
Load-Time Costs	$336,286	$316,935	
Volume Effect Costs	$175,228*	$158,943*	
Delivery Effect Costs		$3,918*	
Coverage-Related Costs	$161,057		
Volume-Variable Coverage-Related Costs	$35,389*		
Total Volume-Variable Costs	$210,617	$163,469	- $47,148

*included in total

OCA/USPS-T12-9. Please refer to your response to interrogatory NAA/USPS-T17-10 in R97-1 (Tr. 1015188). You were asked to provide lower bounds for the "stops effect" for the three stop types. You stated,

> [T]he upper bound estimates equal only about 1 second. So any discrepancy between these estimates and the unobserved true values must be less than 1 second. Thus, the discrepancy falls within the range of ordinary measurement and rounding error.

(a) Is it correct that your upper bound estimates are average values for the lowest quintile of one-piece stops for each stop type? If not, please provide a more complete description of the upper bound estimates.

(b) Please confirm that fixed load time estimates of 0 would fall within the range of ordinary measurement and rounding error. If you do not confirm, please explain. Given that the ability to calculate an average implies the ability to calculate a variance, please provide the variance and standard deviation for the fixed load time estimates.

RESPONSE:

(a) Confirmed. Specifically, these estimates are average values for the lowest quintile of single **letter-piece** stops for each stop.

(b) Confirmed. Given that the 1985 measurements indicate that even loading one letter takes as little as one second, it is conceivable that fixed time at a stop - the time spent prior to any handling of mail or mail-related equipment – is less than one second, and therefore so low as to be virtually unmeasurable. In this case, a data collector could validly conclude that fixed time at a stop is virtually zero, or, alternatively, that zero is the best possible point estimate of this fixed time.

OCA/USPS-T12-10.   Please refer to LR-I-80, file CS06&7.xls, tab 7.0.4.2, cells
D15:F15.

(a) Please confirm that the entries in these cells are the fixed times at stops for SDR,
MDR, and BAM stop types, respectively. If you do not confirm, please explain what
the values in these cells represent and identify where the values for fixed times at
stops may be found.

(b) Please confirm that setting these cells to zero eliminates the fixed time at stops
effect. If you do not confirm, please explain how to remove the fixed time at stops
effect from the base year cost matrix.

. (c) Please confirm that eliminating the fixed time at stops effect increases volume
variable load time costs in segment 7 by $163 million. If you do not confirm, please
provide the correct amount and show its derivation.

RESPONSE

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

OCA/USPS-T12-11. Please refer to witness Daniel's responses to interrogatories
AAPS/USPS-T28-3-5. Witness Daniel refers to development of a distribution key that
distributes elemental load time on the basis of weight.

(a) Please confirm that the distribution key used to distribute elemental load time costs
    in the base year is pieces, not weight. If you do not confirm, please provide a
    citation to CSO6&7.xls by tab, by cell, showing the distribution of elemental load time
    costs by weight.

(b) Please explain how, if at all, weight is used to distribute elemental load time costs in
    the roll-forward.

(c) Witness Daniel seems to be testifying that weight affects elemental load time costs.
    Please explain why weight is not used, at least in part, to distribute elemental load
    time costs in the base year.

RESPONSE:

(a) Confirmed.

(b) It is my understanding that weight is not used to distribute test year volume-variable

load-time costs across mail subclasses.

(c) It is my understanding that weight has not been used to distribute elemental load

time costs because of the view that shape alone is the primary mail characteristic that

determines why one piece takes longer to load than another piece. For example, a

parcel is viewed as taking longer to load than a flat or a letter primarily because its

typical shape dimension makes it more difficult to handle during the loading process.

DECLARATION

I, Donald M. Baron, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Donald M. Baron

Date: 3-31-00

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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