

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 EGGLESTON TO INTERROGATORIES OF
THE CONTINUITY SHIPPERS ASSOCIATION
(CSA/USPS-T26-18-34)

The United States Postal Service hereby provides the responses of witness Eggleston to the following interrogatories of the Continuity Shippers Association: CSA/USPS-T26-18-34, 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

**RESPONSE OF UNITED POSTAL SERVICE WITNESS EGGLESTON TO
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CSA/USPS-T26-18. Please refer to line 19 on page 35 through line 2 on page 36 of your testimony, where you state: "Seven out of the eight BPRS recipients receive returns on a national basis. Rather than incur the costs of collecting Origin-Destination (O-D) specific information for a product still in its infancy, an assumption was used for the *intra/inter mix of BPRS*. Since there are twenty-one BMCs across the country, it is assumed that BPRS parcels will use the intra-BMC mailstream 1/21 or 4.8 percent of the time." Please also refer to lines 7 through 9 on page 37 of your testimony, where you state: "Even if it were assumed that 100 percent of BPRS parcels use the inter-BMC network, the estimated cost would rise from 42.3 cents to 43.7 cents, a difference of only 1.3 cents. If instead it were assumed that 100 percent of BPRS parcels use the intra-BMC mailstream, the estimated unit cost of transportation would decline to 16.1 cents."

- a. What percentage of BPRS parcels in the cost study were returned to the seven BPRS recipients that receive returns on a national basis?
- b. Please confirm that the assumption that only 4.8 percent of BPRS volume uses the intra-BMC mailstream is not an accurate assumption for a non-national BPRS recipient. If not confirmed, please explain your logic.
- c. Please provide the zone distribution and intra-BMC/inter-BMC split for the non-national BPRS recipient.
- d. Please confirm that, according to the BPRS Study, the unit transportation cost for an inter-BMC BPRS parcel is 43.7 cents and the unit transportation cost for an intra-BMC BPRS parcel is 16.1 cents. If not confirmed, please provide the unit transportation costs for inter-BMC BPRS parcels and intra-BMC BPRS parcels.
- e. What is the intra-BMC mail processing cost avoidance for BPRS parcels?
- f. What percentage of total BPRS volume is returned to national BPRS recipients?

RESPONSE:

(a) During the data collection phase of the BPRS study, 96.5 percent of the BPRS parcels were returned to BPRS recipients that received returns on a "national basis."

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(b) It is assumed that 4.8 percent of all BPRS parcels use the inter-BMC mail stream. This assumption is used because specific origin-destination data were not collected. *Without the data, it is impossible to say whether or not this assumption is more or less valid for each individual mailer.* In addition, the statement that one mailer does not receive returns on a "national basis" does not mean that the mailer does not receive inter-BMC parcels.

(c) As stated in the above quotation from my testimony, this data were not collected.

(d) Confirmed that the average transportation unit costs of an intra-BMC BPRS parcel and an inter-BMC BPRS parcel are 16.1 cents and 43.7 cents, respectively.

(e) I am assuming that you are asking for the estimated mail processing cost difference between an inter-BMC parcel and an intra-BMC parcel as estimated by the BPRS mail processing model in Attachment T of my testimony. The estimated cost difference is 8.7 cents. This is calculated by taking the modeled costs of both inter-BMC and intra-BMC parcels, applying the CRA-adjustment factors, and subtracting the adjusted intra-BMC costs from the adjusted inter-BMC costs.

(f) During the data collection phase of the BPRS study, 96.5 percent of the BPRS parcels were returned to BPRS recipients that received returns on a "national basis."

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CSA/USPS-T26-19. Please refer to your response to CSA/USPS-T26-11.

- a. What percent of BPRS parcels were returned to recipients that are located in an area that will rarely use zones above zone 6?
- b. What percent of BPRS parcels were returned to recipients that are located in an area that will rarely use zones above zone 7?
- c. What percent of BPRS parcels were returned to recipients that are located in an area that will rarely use zones above zone 8?

RESPONSE:

As stated on page 35 of my testimony, I did not collect origin-destination specific information. My response to CSA/USPS-T26-11 was to elaborate on a statement I made in my testimony. The purpose of the statement in my testimony was to point out that some of the BPRS mailers were located in a fairly central area of the United States and would not tend to use the higher zones.

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CSA/USPS-T26-20. Please refer to your response to CSA/USPS-T26-8, where you state: "The average cube of BPRS parcels is used to calculate conversion factors, the average number of parcels that fit into each type of container."

a. Please confirm that if you had used the average cube of Special Standard parcels to calculate conversion factors (rather than the average cube of BPRS parcels), modeled BPRS mail processing costs would have been higher than those you estimated. If not confirmed, please explain.

b. If you confirmed part (a), how much higher would mail processing costs have been if the Special Standard average cube were used to determine the conversion factors?

c. Please also confirm that it is appropriate to use the BPRS-specific average cube to calculate the BPRS-specific conversion factors. If not confirmed, please explain.

RESPONSE:

(a) Confirmed that changing the input of average cube to a higher number would result in higher estimated mail processing costs.

(b) Using the average cube of Special Standard, which is 0.19, in the BPRS mail processing model results in an estimated mail processing cost of 72.8 cents. This is 15.7 cents higher than the estimated BPRS mail processing cost.

(c) The cube I used in the BPRS mail processing model, the average cube of BPRS, is the appropriate input to the model.

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CSA/USPS-T26-21. Please refer to your Attachment P, page 2 of 14 of your testimony.

- a. Please confirm that you have classified 41 mail processing cost pools as fixed.
- b. If you do not confirm, how many are fixed?

RESPONSE:

(a) Confirmed.

(b) N/A.

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CSA/USPS-T26-22. Please confirm that you did not model costs for special standard mail in the mail processing cost pools classified as fixed.

RESPONSE:

Confirmed.

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CSA/USPS-T26-23. For each of the Cost Pools that you classify as fixed, please provide a brief operational description of the activities undertaken for special standard mail in that cost pool.

RESPONSE:

Please see witness Degan's testimony (USPS-T-16) starting on page 36 for a description of the cost pools.

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CSA/USPS-T26-24. Please explain why there are costs for special standard mail in the BCS cost pool.

RESPONSE:

It is my understanding that occasionally costs show up in cost pools where they are unexpected. It is further my understanding that the reason for this is the following. The IOCS handling tallies record the mail actually being handled by the employees recorded as working a given mail processing operation (cost pool), rather than the mail expected to be handled in a given operation. To the extent certain shape identification criteria overlap, it will be possible to process some mailpieces in multiple shape-related mailstreams, and particularly in manual operations.

In addition, it is my understanding that further confusion can result from the fact that there is not a one to one relationship between IOCS activities and MODs cost pools. IOCS tallies at MODS 1&2 facilities are associated with cost pools based upon the sampled employee's clocked-in operation (recorded in IOCS question 18A). IOCS operation codes are based upon an independent classification of the sampled employee's observed activity at the time the tally is taken (recorded in the other subparts of IOCS question 18). There is not a one-to-one correspondence between MODS cost pools and the activities in the other parts of IOCS question 18 -- in general, a MODS cost pool will consist of multiple question 18 activities, and likewise a given question 18 activity may appear in multiple cost pools. For instance, employees working MODS sorting operations may need to incidentally perform certain allied labor

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activities; a tally of such an activity would correctly identify the MODS sorting operation in question 18A and the allied labor activity in the remainder of question 18.

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CSA/USPS-T26-25. Please explain why there are costs for special standard mail in the MODS registry cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-26. Please explain why there are costs for special standard mail in the non-MODS registry cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-27. Please explain why there is cost for special standard mail in the SPBS priority cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-28. Please explain why there is cost for special standard mail in the FSM cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-29. Please explain why there is cost for special standard mail in the business reply cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-30. Please explain why there is cost for special standard mail in the express priority cost pool.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-31. Please explain why there are costs for special standard mail in the preferential opening unit.

RESPONSE:

Please see response to CSA/USPS-T26-24.

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CSA/USPS-T26-32. Does your BPRS mail processing cost model reflect any costs for non-machineable parcels?

RESPONSE:

The BPRS mail processing model does not directly include any costs for non-machinability. Since the Special Standard CRA adjustment factors are used for proxies, and 17 percent of Special Standard is assumed to be non-machinable, some costs of non-machinability may be indirectly included in the model. However, these "costs of non-machinability" can be thought of as proxies for other costs. Although BPRS parcels are machinable by definition, it is possible that BPRS could have other factors that make it more costly than Special Standard. For example, it may be possible that BPRS parcels get miskeyed more often than Special Standard and end up in loops more often. In addition, since BPRS is a return service, it is possible that BPRS parcels come open and have to be rewrapped more often than Special Standard parcels.

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CSA/USPS-T26-33. Please confirm that the only window acceptance activities performed under the Merchandise Return Service is picking up the parcel, looking for the merchandise return service permit and placing the parcel in the proper receptacle.

- a. If you do not confirm, please state what other activities are performed.
- b. Please confirm that these window acceptance activities are performed by a window clerk.

RESPONSE:

(a) Not confirmed. All window activities have a "common time component." Part of this "common time component" is waiting for the customer to arrive at the window and greeting the customer.

(b) Confirmed.

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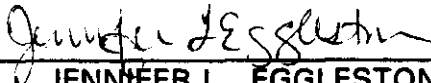
CSA/USPS-T26-34. For Mailer #1, the postage due costs shown in Attachment W, page 3 shows \$0.018 cost per piece of simple postage due. However, the BPRS cost study issued in October 1998 shows \$0.0058 cost per piece of simple postage due for Mailer #1. Please reconcile the two numbers.

RESPONSE:

There have been several revisions to the original BPRS cost study. Each revision was done to incorporate improved data. In addition, the two costs, \$.018 and \$.0058 cannot be directly compared because they are both the cost of simple postage due allocated to all days postage due is calculated.

DECLARATION

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



JENNIFER L. EGGLESTON

Dated: 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.



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