POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T28—14-19)

The United States Postal Service hereby provides the responses of witness

Daniel to the following interrogatories of Major Mailers Association: MMA/USPS-T28—

14-19, filed on March 23, 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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MMA/USPS-T28-14. Please refer to your responses to MMA/USPS-T28-9-12. In those responses you discuss the impact of factors other than weight that affect your derived unit costs by weight increment for First-Class Single Piece, Presorted, and Standard Mail (A) letters. Specifically, you state that "[t]he cost study reflects all the characteristics associated with the average piece in each weight increment", and that your studies do not provide the "specific impact of weight on costs" but rather provide a "general indication of the effect weight has on total volume variable costs". You further note that "[C]ost-causative attributes other than weight that may be different in each ounce weight increment (up to 3 ounces) include at least all the factors listed in subpart (a)" of MMA/USPS/T29-11.

(a)   Please confirm that as part of your analysis, some of the costs, specifically those reflecting elementary load, air/water transportation, and "other weight", were directly distributed to weight increments on the basis of weight. If you cannot confirm, please explain how such costs were distributed to weight increments.

(b)   Please confirm that as part of your analysis, those costs reflecting delivery support were directly distributed to weight increments on the basis of other cost categories, of which a portion were distributed to weight increments on the basis of weight. If you cannot confirm, please explain how such costs were distributed to weight increments.

(c)   Please confirm that as part of your analysis, some of the costs, specifically those reflecting vehicle service and highway/rail transportation, were directly distributed to weight increments on the basis of cube. If you cannot confirm, please explain how such costs were distributed to weight increments.

(d)   Please confirm that weight and cube are directly related such that as cube increases, weight generally increases. See your response to Interrogatory VP-CW/USPS-T28-1.

(e).   Please confirm that the costs for those categories mentioned in parts (a), and (c) not only must increase with weight, based on your methodology, but will increase at a fairly constant rate as weight increases. (That is, the marginal increase from each one-half weight increment to the next must be roughly the same.) If you cannot confirm, please explain why costs that are distributed to weight increments on the basis of weight would not increase at a somewhat constant rate across those weight increments, as weight increases.

(f)   Do you agree that each of the other factors that impact your derived unit costs by weight increment for letters, as referred to in your response to MMA/USPS-T28-11 (a), affect the following individual cost elements differently? If not, please explain.
(1) mail processing;
(2) window service;
(3) delivery in-office:
(4) delivery route;
(5) deliver access;
(6) elementary load:
(7) delivery support;
(8) vehicle service;

(9) rural delivery;
(10) air/water transportation;
(11) highway/rail transpiration [sic]; and
(12) other weight.

(g) For each of the factors that impact your derived unit costs by weight increment for letters, please indicate roughly how each one affects each of the individual cost elements referred to in part (f). For example, prebarcoding might affect mail processing costs, but would not affect window service, delivery or transportation costs. If you believe there is no effect, please so indicate and explain why.

(h) What costs are included in your last category listed in part (f), "other weight"?

RESPONSE:

a. Confirmed, with the exception that elemental load costs were first distributed to shape and then were distributed on the basis of weight.

b. Confirmed.

c. Confirmed.

d. Confirmed for letters and flats containing paper-based contents.

e. Confirmed.

f. To the extent that the cost elements may be affected, they are probably affected differently. Please see response to subpart (g).

g. I have not explicitly studied how the factors listed in MMA/USPS-T28-11 impact costs by the variouscost elements listed in subpart (f); however, generally, I would expect that:

- local/nonlocal mix may affect (1) mail processing, (8) vehicle service and all transportation (10 and 11)

- origin/destination pattern may affect (1) mail processing, (8) vehicle service and all transportation (10 and 11)

- degree of presortation may affect (1) mail processing, (3) delivery in-office to the extent that presortation affects the percent DPS and (7) delivery support which is a function of the amount of delivery in-office

- prebarcode vs. no prebarcode may affect (1) mail processing, (3) delivery in-office to the extent that barcoding affects the percent DPS and (7) delivery support which is a function of the amount of delivery in-office

- machinability may affect (1) mail processing, (3) delivery in-office (6) elemental load and (7) delivery support which is a function of the amount of other delivery costs
- delivery to P.O. Box vs. delivery by carrier may affect (1) mail processing, all delivery functions, both city and rural (3-7 and 9), and vehicle service (8)
- likelihood of being undeliverable-as-addressed my affect (1) mail processing, (3) delivery in-office and (7) delivery support

It is not clear how these factors may affect (2) window or (12) "other" costs

h.   See response to interrogatory ABA&NAPM/USPS-T28-10. "Other" costs consist *primarily of postmaster and claims and inquiry and related indirect costs such as* employee labor relations, time and attendance, space, and benefits, as well as stamps and dispenser costs. They also may include training, international mail supplies, and indemnities. The word "weight" appears after the word "other" to denote how the costs were distributed.

MMA/USPS-T28-15. Please refer to the elementary loading delivery costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   Please define elementary loading delivery costs.

(b)   Once mail has been separated by shape, please explain why you used weight as the appropriate distribution key for spreading the total elementary load delivery costs across all weight increments.

RESPONSE:

a.   I assume the question is referring to the portion of city carrier costs related to *elemental* load. The definition of elemental load costs can be found in the "Summary Description of USPS Development of Costs By Segments and Component," USPS LR-I-1, pages 7-7 through 7-8.

b.   Please see page 8 line 25 through page 9 line 2 of USPS-T-28. Please also see my response to interrogatories AAPS/USPS-T28-5 and NAA/USPS-T28-7.

MMA/USPS-T28-16. Please refer to the mail processing costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   For mail processing costs, please confirm the following unit costs computed by dividing your derived mail processing costs by the appropriate volumes for letters. If you cannot confirm, please provide the correct unit cost figure and an explanation of how such unit cost figure is derived.

Unit Mail Processing Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	8.56	25.05	16.49
First-Class Presort	5.93	3.49	-2.44
Standard Mail (A)	6.15	5.62	-0.53
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	25.05	16.24	-8.81
First-Class Presort	3.49	13.16	9.67
Standard Mail (A)	5.62	5.15	-0.47
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	16.24	30.49	14.25
First-Class Presort	13.16	12.49	-0.67
Standard Mail (A)	5.15	6.52	1.37

(b)   From the data provided in part (a), please explain as best you can the following:

(1)   For First-Class single piece letters, why does it cost three times as much to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs 1/3 less to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between 5 and 1.0 ounces and almost twice the cost to process a letter weighing between 1.5 and 2.0 ounces than to process a letter weighing between 1.0 and 1.5 ounces?

(2)   For First-Class presorted letters, why does it cost 40% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and 5 ounces, whereas it costs almost 4 times to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces and only 5% less to process a letter weighing between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

(3)   For Standard Mail (A) letters, why does it cost 8% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs 7% more to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces, but 25% more to process a letter weighing

between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

(4)   Why don't the mail processing unit costs increase at anything close to a constant rate as weight increases?

(5)   Why do First-Class presorted letters weighing between 0 and .5 ounces cost slightly less to process than Standard Mail (A) letters of the same weight, and First-Class presorted letters weighing between .5 and 1.0 ounces cost almost 40% less to process than Standard Mail (A) letters of the same weight, yet First-Class presorted letters weighing between 1.0 and 1.5 ounces cost about two-and-a-half times as much as Standard Mail (A) letters of the same weight, and First-Class presorted letters weighing between 1.5 and 2.0 ounces cost about twice as much as Standard Mail (A) letters of the same weight?

(6)   Why do First-Class single piece letters weighing between 0 and .5 ounces cost 45% more to process than presorted letters of the same weight, yet First-Class single piece letters weighing between 5 and 1.0 ounces cost more than seven times as much as presorted letters of the same weight?

RESPONSE:

a.   Confirmed with the clarification that the label Standard Mail (A) only applies to the Regular subclass.

b.   (1-3) Please see response to interrogatory MMA/USPS-T28-12(b).

(4)   Factors other than weight are reflected in the costs.

(5-6) As stated in response to ABA&NAPM/USPS-T28-2, "[d]ata and analyses are not presently available to explain all of the cost-causative factors which may vary between the subclasses by weight increment." Please also see responses to interrogatories ABA&NAPM/USPS-T28-27, MMA/USPS-T28-8(c), 11(d-f).

MMA/USPS-T28-17. Please refer to the in-office city delivery costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   For in-office city delivery costs, please confirm the following unit costs computed by dividing the sum of your derived city delivery costs by the appropriate volumes for letters. If you cannot confirm, please provide the correct unit cost figures.

In-Office Delivery Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	1.90	6.96	5.06
First-Class Presort	2.23	1.28	-0.95
Standard Mail (A)	2.48	1.80	-0.67
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	6.96	3.19	-3.77
First-Class Presort	1.28	4.55	3.27
Standard Mail (A)	1.80	1.30	-0.51
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	3.19	4.95	1.76
First-Class Presort	4.55	4.83	0.28
Standard Mail (A)	1.30	1.62	0.32

(b)   From the data provided in part (a), please explain as best you can the following:

    (1)   For First-Class single piece letters, why does it cost almost four times as much to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs less than one-half to process a letter-weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces and 50% more to process a letter weighing between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

    (2)   For First-Class presorted letters, why does it cost almost half as much to process a letter weighing between .5 and 1.0 ounces as it does a letter weighing between 0 and .5 ounces, whereas it costs more than three times as much to process a letter weighing between 1.0 and 1.5 ounces as it does a letter weighing between .5 and 1.0 ounces and about the same to process a letter weighing between 1.5 and 2.0 ounces as it does a letter weighing between 1.0 and 1.5 ounces?

    (3)   For Standard Mail (A) letters, why does it cost about 25% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs another 25% less to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces?

(4)   Why don't the in-office delivery unit costs increase at anything close to a
constant rate as weight increases?

(5)   Why do First-Class presorted letters weighing between 0 and .5 ounces
and .5 and 1.0 ounces cost slightly less to process than Standard Mail (A)
letters of the same weight brackets, yet First-Class presorted letters
weighing between 1.0 and 1.5 ounces and 1.5 and 2.0 ounces cost three
times more than Standard Mail (A) letters of the same weight?

(6)   Why do First-Class single piece letters weighing between 0 and .5 ounces
cost about 25% less than Standard Mail (A) letters of the same weight, yet
First-Class single piece letters weighing between .5 and 1.0 ounces cost
almost four times as much as Standard Mail (A) letters of the same
weight, and First-Class single piece letters weighing between 1.0 and 1.5
ounces cost more than twice as much as Standard Mail (A) letters of the
same weight, and First-Class single piece letters weighing between 1.5
and 2.0 ounces cost more than three times as much as Standard Mail (A)
letters of the same weight?

(7)   What makes Standard Mail (A) so much less expensive to process than
First-Class letters, for letters weighing between 1.0 and 2.0 ounces?

RESPONSE:

a.   Confirmed with the clarification that the label Standard Mail (A) only applies to
the Regular subclass.

b.   (1-3, 5-6)   Data and analyses are not presently available to explain all of the
cost-causative factors influencing delivery costs which may vary between
the subclasses by weight increment.

(4)   Factors other than weight are reflected in the costs.

MMA/USPS-T28-18. Please refer to the transportation costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   For transportation costs, please confirm the following unit costs computed by dividing the sum of your derived transportation costs by the appropriate volumes for letters. If you cannot confirm, please provide the correct unit cost figures.

Transportation Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	0.43	0.76	0.33
First-Class Presort	0.46	0.98	0.52
Standard Mail (A)	0.10	0.22	0.12
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	0.76	1.51	0.75
First-Class Presort	0.98	1.54	0.56
Standard Mail (A)	0.22	0.37	0.15
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	1.51	2.08	0.57
First-Class Presort	1.54	2.22	0.68
Standard Mail (A)	0.37	0.52	0.15

(b)   From the data provided in part (a), please confirm as best you can the following:

(1)   Transportation costs consistently increase as weight increases, are approximately the same for First-Class nonpresorted and presorted letters, and are consistently four to five time higher than Standard Mail (A) letters. If you cannot confirm, please explain.

(2)   Transportation costs appear to increase as weight increases, and this is a result that could have been anticipated since you used weight and cube as the distribution keys for these transportation costs. If you cannot confirm, please explain.

(3)   The other factors that your response to Interrogatory MMA/USPS-T28-11 (a) suggested might impact the derived unit costs in your analysis in fact have absolutely no effect on your derived unit transportation costs.

RESPONSE:

(a)   Confirmed.

(b)   (1) Confirmed.

(2)   Confirmed.

(3)   Confirmed. Since transportation costs were allocated on a constant cost per pound (or cost per cubic foot), factors such as local/nonlocal mix and

origin/destination pattern have been controlled for. My response to
interrogatory MMA/USPS-T28-11 was referring to total costs, not
transportation in particular. Transportation comprises a small percentage of
total First-Class and Standard Mail (A) total costs.

MMA/USPS-T28-19. Please refer to your response to Interrogatory MMA/USPS-T28-11 (e) and (f). There you state, in part, that "[t]he impact on the cost of processing these [First-Class and Standard Mail (A)] pieces can be found in the testimony of witness Miller (USPS-T-24 Appendix I-I)."

(a)   Please explain exactly what you mean in terms of the "impact on the cost of processing" as it relates to USPS witness Miller's testimony.

(b)   Did you mean to imply that USPS witness Miller provides the "impact on the cost of processing" of First-Class presort letters by weight increment? Please explain.

RESPONSE:

(a)   Witness Miller calculates the impact on the cost of processing presorted and prebarcoded pieces.
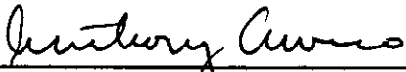
(b)   No.

DECLARATION

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

SHARON DANIEL

Dated: _____4/6/00_____

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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