

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 CRUM TO INTERROGATORIES OF
NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T27—1-5)**

The United States Postal Service hereby provides the responses of witness Crum to the following interrogatories of the Newspaper Association of America: NAA/USPS-T27—1-5, 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:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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April 6, 2000

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF
NEWSPAPER ASSOCIATION OF AMERICA**

NAA/USPS-T27-1: Please refer to your testimony at page 4, lines 16-19.

- a. Please confirm that you suggest that volume could serve as an appropriate proxy in determining non-transportation savings.
- b. Please confirm that Witness Daniel converts your cost per pound estimates by destination type into cost per piece. If you used volume as a proxy, instead of weight, would your calculated costs per piece correspond with Witness Daniel's? Please explain your answer.

RESPONSE

- a. Confirmed that I am suggesting that *cubic* volume could serve as an appropriate proxy in estimating non-transportation savings. I make no comments regarding volume (as in number of pieces) as an appropriate proxy.
- b. In USPS LR-I-96, witness Daniel multiplies my estimated non-transportation savings per pound by pounds to get total estimated non-transportation cost savings by entry point. She then divides by pieces to get an estimated cost savings per piece.

I am not sure I would necessarily reach the same total results as witness Daniel if I used volume (number of pieces) as a proxy. I use a conversion factor (pieces/pound) at a greater level of detail than witness Daniel. For example, in Attachment D, Table 1, I use pieces per pound for Origin AO sacks. Witness Daniel's calculations are at a more aggregated level.

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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NAA/USPS-T27-2: Please refer to your testimony at page 6, lines 13-16.

- a. Please confirm that these estimates are neither rate category- nor shape-specific.
- b. Please explain whether rate category and shape influence dropshipped proportions, and justify your response.
- c. If rate category and shape influence drop proportions, please justify the appropriateness of using non-specific cost per pound estimates.

RESPONSE

- a. Confirmed.
- b. The attached sheet attempts to describe briefly how rate category and shape vary with dropship proportions. I have no information regarding any influence rate category and shape might have beyond simple correlation.
- c. Not applicable.

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Attachment to Witness Crum's response to NAA/USPS-T27-2

ECR Subclass by Pieces

<u>Entry Point</u>	<u>Saturation</u>	<u>Basic</u>
None	4%	16%
DBMC	5%	27%
DSCF	40%	54%
DDU	51%	3%

Regular Subclass by Pieces

<u>Entry Point</u>	<u>3/5</u>	<u>Basic</u>
None	48%	92%
DBMC	34%	7%
DSCF	18%	1%

Source: 1998 Billing Determinants

Standard Mail (A) Commercial Pieces

<u>Entry Point</u>	<u>Letters</u>	<u>Flats</u>	<u>Parcels</u>
None	48%	19%	71%
DBMC	25%	22%	18%
DSCF	24%	42%	10%
DDU	3%	16%	1%

Source: USPS-T-27, Attachment F, Table 5, Page 1

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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NAA/USPS-T27-3: Please explain how you would calculate total TY non-transportation costs based on your estimated TY costs per pound by destination type.

RESPONSE

Estimated TY non-transportation cost per pound (defined as unit cost to the Postal Service of crossdocking all Standard Mail (A) before it reaches the destination delivery unit) is an input to the Nontransportation Equation presented in Attachment C, Table 1. Total test year non-transportation handling costs can be found in Attachment C, Table 3. If one wanted to calculate total non-transportation costs as defined above, it could be done as in the equation below.

$$\begin{aligned} & \$0.0399 \text{ (no dropship)} * 26.96\% \text{ (no dropship \%)} + \$0.0217 \text{ (DBMC)} * 23.64\% \\ & \text{(DBMC \%)} + \$0.0099 \text{ (DSCF)} * 37.53\% \text{ (DSCF \%)} + \$0 \text{ (already at DDU)} * \\ & 11.86\% \text{ (\% deposited at DDU)} = \$0.0196 \text{ per pound} \end{aligned}$$

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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NAA/USPS-T27-4: Please refer to your testimony at Attachment C, Table 4. Please justify your assumption that the TY/BY ratio for pieces equals the TY/BY ratio for weight.

RESPONSE

I am making the implicit assumption that pieces per pound will be consistent between the base year and the test year. I have no basis for any other assumption and I understand it is consistent with the assumptions of other cost witnesses and witness Moeller's revenue calculations.

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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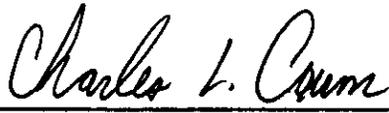
NAA/USPS-T27-5: Please refer to your testimony at Attachment B, Table 1 and Attachment C, Table 9. Please explain the apparent discrepancy in recorded total TY pounds between the worksheets.

RESPONSE

The data in Attachment B, Table 1 does represent Test Year 2001 pounds, but the data in Attachment C, Table 9 represent Base Year 1998 pounds.

DECLARATION

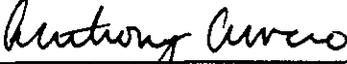
I, Charles L. Crum, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


CHARLES L. CRUM

Dated: 6 APRIL 2000

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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