

Official Transcript of Proceedings

May 4, 2000

Before the

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

UNITED STATES POSTAL RATE COMMISSION

In the Matter of:

POSTAL RATE AND FEE CHANGE

Docket No.

R2000-1

VOLUME 17

DATE: Thursday, May 4, 2000

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ANN RILEY & ASSOCIATES, LTD.

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BEFORE THE
POSTAL RATE COMMISSION

- - - - -X
In the Matter of: :
POSTAL RATE AND FEE CHANGE : Docket No. R2000-1
- - - - -X

Third Floor Hearing Room
Postal Rate Commission
1333 H Street, N.W.
Washington, D.C. 20268

Volume XVII
Thursday, May 4, 2000

The above-entitled matter came on for hearing,
pursuant to notice, at 9:33 a.m.

BEFORE:

HON. EDWARD J. GEILMAN, CHAIRMAN
HON. GEORGE A. OMAS, VICE CHAIRMAN
HON. W.H. "TREY" LeBLANC, COMMISSIONER
HON. DANA B. "DANNY" COVINGTON, COMMISSIONER
HON. RUTH GOLDWAY, COMMISSIONER

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C O N T E N T S

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
DENNIS P. STEVENS				
BY MR. KOETTING	6697			
NANCY R. KAY				
BY MR. KOETTING	6702			
BY MR. MCKEEVER		6711		
JENNIFER J. XIE				
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BY MR. MCKEEVER		6816/6929/6940		
BY MR. FELDMAN		6817		
BY MR. WELLS		6841		
ALTAF H. TAUFIQUE				
BY MR. RUBIN	6944		7046	
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P R O C E E D I N G S

[9:33 a.m.]

CHAIRMAN GLEIMAN: Good morning. We continue our hearings to receive testimony of Postal Service witnesses in support of Docket R2000-1.

I have one procedural matter. On May the 2nd, the Postal Service filed a request that the order of appearance at the May 11th hearing be Witness Unger first, followed by Witness Otorme, and I am granting that request.

Does any participant have any other matter that they would like to address this morning? Mr. McKeever.

MR. McKEEVER: Good morning, Mr. Chairman, members of the Commission. John McKeever for United Parcel Service. When Postal Service Witness Hunter was on the stand way back on the first day of hearings, we had indicated that we would reserve the right to request his return if and when certain additional discovery issues that had existed between the parties were resolved, and pending the nature of the discovery responses of the Postal Service.

You had indicated, Mr. Chairman, that you were today for the possible appearance of Mr. Hunter. We have not yet requested his return because there are still some remaining discovery issues that are outstanding. In particular, on April 17th, we had filed a motion to compel the production of certain PERMIT System data. The Postal

1 Service had responded to that motion on April 24th. And
2 there were three other motions to compel that we have filed
3 where the deadline for responding of the Postal Service have
4 not yet come upon us. There was a motion to compel filed on
5 April 28, one filed on May 1st, and one filed on May 2nd.

6 Since those discovery disputes are still
7 outstanding, and that information relates possibly to Mr.
8 Hunter's testimony, we think it would be premature to ask at
9 this time whether or not he should be recalled, and we would
10 like to reserve that judgment until we get those discovery
11 responses and, again, reserve the right to ask that he be
12 recalled in the future if we determine when we receive those
13 responses that that would be appropriate.

14 CHAIRMAN GLEIMAN: Thank you, Mr. McKeever. I
15 think that we can accommodate you in that regard. We do, as
16 I indicated a moment ago, have a hearing scheduled for the
17 11th. We also have a hearing scheduled for the 9th
18 possibly. And I think that if the motion practice can be
19 resolved expeditiously, perhaps we can figure out whether we
20 can accommodate you, if Witness Hunter still needs to be
21 recalled, the latter part of next week. If not, your rights
22 are reserved.

23 MR. McKEEVER: Thank you, Mr. Chairman.

24 CHAIRMAN GLEIMAN: And I understand that -- my
25 recollection is that NNA also had some concerns.

1 MR. McKEEVER: Yes, Mr. Chairman. Thank you. I
2 had told Ms. Rush, and I forgot, that I would mention they
3 also have a discovery dispute outstanding, which Ms. Rush
4 believes may have been resolved as of yesterday, but she, of
5 course, still doesn't have the information that apparently
6 the Postal Service has agreed to provide. I can't give you
7 a blow by blow description there, of course, but I did
8 indicate to Ms. Rush that I would mention that they also
9 reserve the right to recall Mr. Hunter, pending the receipt
10 of the additional information that apparently the Postal
11 Service has agreed to provide. Thank you, Mr. Chairman.

12 CHAIRMAN GLEIMAN: Thank you, sir.

13 MR. HOLLIES: Mr. Chairman.

14 CHAIRMAN GLEIMAN: It is hard to tell where sound
15 comes from sometimes.

16 MR. HOLLIES: I just wanted to say that the Postal
17 Service does plan on responding to all of the various
18 motions to compel pertinent to Witness Hunter tomorrow. So
19 that perhaps those, that motions practice will thereby be
20 sufficiently ripe that it can be determined.

21 In addition, yes, I would like to confirm what Mr.
22 McKeeever said regarding NNA. We file, I guess it will be
23 today, some responses that I believe will satisfy Ms. Rush
24 with respect to the material she was seeking, and that
25 should also resolve that particular discovery dispute.

1 CHAIRMAN GLEIMAN: Okay. Well, we appreciate that
2 information and I guess the ball will be back in my court
3 once we hear from the Postal Service on the outstanding
4 motions, responses to motions to compel, and we will attempt
5 to rule on those promptly so that a decision can be made,
6 and perhaps we can wrap up this round of hearings next week
7 rather than going beyond then. But if we have to, we will.

8 MR. HOLLIES: Thank you, Mr. Chairman.

9 CHAIRMAN GLEIMAN: Is there anything else?

10 MR. KOETTING: Mr. Chairman.

11 CHAIRMAN GLEIMAN: I just -- you know, you don't
12 understand, but when you are sitting up here, the tendency
13 is to look out and, you know, connect a voice with somebody
14 that is standing up out there. It doesn't register when it
15 comes from above you that it is really coming from over
16 there.

17 MR. KOETTING: The Postal Service understands that
18 Witness Kay is the third witness scheduled today, and no
19 parties have requested oral cross-examination, in contrast
20 with Witness Xie, the second witness, which the Postal
21 Service understands there will be some oral
22 cross-examination. Therefore, the Postal Service would
23 request that Witness Kay be moved up to the second witness
24 spot so she can go about her business. That would be our
25 request.

1 CHAIRMAN GLEIMAN: I don't think that would pose a
2 problem, given the cross-examination that we are at least
3 aware is going to take place today. So, we will do that.

4 Anyone else?

5 [No response.]

6 CHAIRMAN GLEIMAN: There are four witnesses
7 scheduled to appear today, Witness Stevens, Witness Kay,
8 Witness Xie and Witness Taufique.

9 Mr. Koetting, you have the first witness?

10 MR. KOETTING: Yes, Mr. Chairman. Thank you.

11 The Postal Service calls as its next witness,
12 Dennis P. Stevens.

13 Whereupon,

14 DENNIS P. STEVENS,
15 a witness, having been called for examination on behalf of
16 the United States Postal Service and, having been first duly
17 sworn, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. KOETTING:

20 Q Mr. Stevens, I have handed you two copies of a
21 document entitled "Direct Testimony of Dennis P. Stevens on
22 Behalf of the United States Postal Service," which has been
23 designated as USPS-T-20. Are you familiar with this
24 document?

25 A Yes, I am.

1 Q Was it prepared by you or under your supervision?

2 A Yes, it was.

3 Q If you were to testify orally today, would that be
4 your testimony?

5 A Yes, it would be.

6 MR. KOETTING: Mr. Chairman, the Postal Service
7 moves that USPS-T-20, the direct testimony of Dennis P.
8 Stevens be admitted into evidence.

9 CHAIRMAN GLEIMAN: Is there any objection?

10 [No response.]

11 CHAIRMAN GLEIMAN: Hearing none, I will direct
12 counsel to provide the reporter with two copies of the
13 testimony of Witness Stevens. The testimony is received
14 into evidence, but, as is our practice, will not be
15 transcribed into the record.

16 [Direct Testimony of Dennis P.
17 Stevens, USPS-T-20 was received
18 into evidence.]

19 CHAIRMAN GLEIMAN: Mr. Koetting, is Witness
20 Stevens sponsoring any Category 2 Library References?

21 MR. KOETTING: No, Mr. Chairman, he has no
22 Category 2 associated with his testimony.

23 CHAIRMAN GLEIMAN: Mr. Stevens, have you had an
24 opportunity to examine the packet of designated written
25 cross-examination that was made available earlier today?

1 THE WITNESS: Yes, I was.

2 CHAIRMAN GLEIMAN: And if those questions were
3 asked of you today, -- we don't have any designated cross?

4 MR. KOETTING: There were no designated cross.

5 CHAIRMAN GLEIMAN: Goodness gracious, a witness
6 without designated written cross. You must have answered
7 all the questions very well.

8 I don't believe there is an oral cross-examination
9 for the witness. Is there anyone who had indicated
10 previously that wishes to do so?

11 [No response.]

12 CHAIRMAN GLEIMAN: If not, then questions from the
13 bench? And if there are no questions from the bench --

14 COMMISSIONER GOLDWAY: I have one question. Mr.
15 Chairman, I have one question, if I may.

16 CHAIRMAN GLEIMAN: Certainly.

17 COMMISSIONER GOLDWAY: In our discussions this
18 morning, the staff and the Commissioners expressed some
19 curiosity over the response that you made to interrogatories
20 of the Direct Marketing Association. I don't have the
21 number, but it is a list of the summary of USPS vehicle
22 acquisitions by year.

23 THE WITNESS: I am familiar with that document.

24 COMMISSIONER GOLDWAY: And we noticed that there
25 was a vehicle that is still in service, purchased in 1944 at

1 a cost of \$1,998, with an accumulated depreciation of
2 \$1,899. So we were wondering what that vehicle might be.
3 And there were a couple of others that struck us as well,
4 the 1961 vehicle that cost \$474, and the 1965 vehicle at
5 \$225. We were curious, in general, about some of these very
6 old vehicles still in service.

7 THE WITNESS: I am not familiar with the type of
8 vehicle. I can explain to you what is happening with the
9 accumulated depreciation, in that in order to maintain the
10 records, they just keep a sunk cost or a loss cost until we
11 actually get rid of the vehicle.

12 COMMISSIONER GOLDWAY: So, but by keeping this on
13 the list, the vehicle is still in use?

14 THE WITNESS: Yes, it potentially could be in use.

15 COMMISSIONER GOLDWAY: Would it be possible to get
16 the information on those vehicles from 1944 to 1965, there
17 are a total of six of them?

18 THE WITNESS: Yes. Assuming --

19 COMMISSIONER GOLDWAY: Just to satisfy our
20 interest in what is preserved for such a long period of
21 time.

22 THE WITNESS: Okay. Assuming that the data is
23 still available. In other words, what happens is as the
24 vehicles go out of service, they actually get purged from
25 the database. Assuming that they are still valid data

1 points, I can get all the information on them.

2 COMMISSIONER GOLDWAY: Well, I guess we would like
3 to know if they are valid, and if they are valid, --

4 THE WITNESS: Which vehicles.

5 COMMISSIONER GOLDWAY: -- which vehicles they are.

6 THE WITNESS: Yes. And for what years again?

7 COMMISSIONER GOLDWAY: Well, you have six vehicles
8 on this list that are dated 1944, '61, '62, '63, and '65.
9 So those are the six oldest vehicles on your list, and I
10 guess those will answer our most pressing questions.

11 THE WITNESS: Yes.

12 COMMISSIONER GOLDWAY: Thank you.

13 CHAIRMAN GLEIMAN: Actually, the most pressing
14 question is to find out who the mechanic is that keeps them
15 running, because we would like to engage his or her
16 services.

17 THE WITNESS: So would I.

18 CHAIRMAN GLEIMAN: Are there any other questions
19 from the bench?

20 [No response.]

21 CHAIRMAN GLEIMAN: Follow-up to questions from the
22 bench?

23 [No response.]

24 CHAIRMAN GLEIMAN: Do you need some time for
25 redirect?

1 MR. KOETTING: No.

2 CHAIRMAN GLEIMAN: That being the case, Mr.
3 Stevens, I want to thank you for your appearance here today
4 and your contributions to our record. And if there is
5 nothing further, you are excused.

6 THE WITNESS: Thank you.

7 [Witness excused.]

8 CHAIRMAN GLEIMAN: Mr. Koetting again.

9 MR. KOETTING: Yes, Mr. Chairman. The Postal
10 Service would call as its next witness, Nancy R. Kay.

11 CHAIRMAN GLEIMAN: Ms. Kay, before you settle in
12 and get comfortable, don't get too comfortable. I don't
13 think you are going to be up there too long today -- at
14 least that is what people tell me.
15 Whereupon,

16 NANCY R. KAY,
17 a witness, was called for examination by counsel for the
18 United States Postal Service and, having been first duly
19 sworn, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. KOETTING:

22 Q Ms. Kay, I have handed you two copies of a
23 document entitled "Direct Testimony of Nancy Kay on behalf
24 of the United States Postal Service," which has been
25 designated as USPS-T23.

1 Are you familiar with that document?

2 A Yes, I am.

3 Q Were they prepared by you or under your
4 supervision?

5 A They were prepared by me.

6 Q Did they include the revisions to your testimony
7 filed on February 18th, 2000 and March 13th, 2000?

8 A Yes, they do.

9 Q With those revisions if you were to testify orally
10 today would this be your testimony?

11 A Yes, it would.

12 MR. KOETTING: Mr. Chairman, the Postal Service
13 moves that the direct testimony of Nancy R. Kay, USPS-T23,
14 be admitted into evidence.

15 CHAIRMAN GLEIMAN: Is there any objection?
16 Hearing none, if counsel would provide two copies of the
17 corrected direct testimony of Witness Kay to the reporter
18 that testimony will be received into evidence and will not
19 be transcribed into the record.

20 [Direct Testimony and Exhibits of
21 Nancy R. Kay, USPS-T23, was
22 received into evidence.]

23 CHAIRMAN GLEIMAN: Mr. Koetting, is this witness
24 sponsoring any Category 2 Library References?

25 MR. KOETTING: She is.

1 BY MR. KOETTING:

2 Q Are Library References LR-I-150 and LR-I-151
3 associated with your testimony?

4 A They are.

5 Q Are you prepared to sponsor them today?

6 A Yes, I am.

7 MR. KOETTING: Mr. Chairman, Postal Service moves
8 those into evidence also.

9 CHAIRMAN GLEIMAN: The two Library References in
10 question will be moved into evidence and will not be
11 transcribed into the record.

12 [Library References LR-I-150 and
13 LR-I-151 were received into
14 evidence.]

15 CHAIRMAN GLEIMAN: And now I am going to check
16 before I ask about designated written cross examination.
17 Yes, there is some.

18 Ms. Kay, have you had an opportunity to examine
19 the very small packet of designated written cross
20 examination that was made available earlier today?

21 THE WITNESS: Yes, I have.

22 CHAIRMAN GLEIMAN: And if those questions were
23 asked of you today, would your answers be the same as those
24 you previously provided in writing?

25 THE WITNESS: They would.

1 CHAIRMAN GLEIMAN: That being the case, counsel,
2 if you would provide two copies of the designated written
3 cross for this witness to the reporter, I will direct that
4 the material be received into evidence and transcribed into
5 the record.

6 [Designation of Written
7 Cross-Examination of Nancy R. Kay,
8 USPS-T23, was received into
9 evidence and transcribed into the
10 record.]

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS NANCY R. KAY
(USPS-T-23)

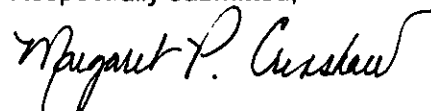
Party

Association of Priority Mail Users, Inc.

Interrogatories

APMU/USPS-T23-1

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Margaret P. Crenshaw". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Margaret P. Crenshaw
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS NANCY R. KAY (T-23)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

APMU/USPS-T23-1

Designating Parties:

APMU

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY TO
INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS**

APMU/USPS-T23-1. Please refer to witness Kashani's response to MPA/USPS-T14-2, both at pages 8-10 of the narrative response as well as Attachment I (Mail Processing Adjustment for Redistribution of Rehabilitation Program), pages I-2. Witness Kashani explains that the costs associated with the Rehabilitation program "were erroneously distributed to Priority Mail in mail processing in FY 2000. This miscalculation overstates Priority Mail costs by approximately \$46 million in that year..." Witness Kashani then makes what he calls a "Priority Mail Correction," reducing Priority Mail costs by \$46.350 million. Please provide a similar correction to the incremental costs of Priority Mail.

RESPONSE

Attachment 1 to this response estimates the effect of witness Kashani's correction on incremental cost estimates for all classes of mail, including Priority Mail. The correction is estimated to reduce Priority Mail incremental cost by \$48.509 million in Test Year 2001 (After Rates). Column 1 of Attachment 1 shows the BY 1998 volume variable cost for mail processing, as shown in USPS-LR-I-150, folder IC Model/R00-1, file ICSummary.xls, tab 'Independent VVC', column 7. Column 2 of Attachment 1 shows the BY 1998 volume-related incremental cost for mail processing, as shown in USPS-LR-I-150, folder IC Model/R00-1, file ICSummary.xls, tab 'IC Independent', column 4, minus product specific costs show on tab 'Prod Spec', column 1. Column 3 of Attachment 1 shows total Test Year 2001 (Before Rates) incremental cost, from Table 1A of my testimony. Column 4 of Attachment 1 shows total Test Year 2001 (After Rates) incremental cost, also from Table 1A of my testimony. Columns 5 and 6 are the estimated dollar impact on Test Year 2001 (Before Rates) and Test Year 2001 (After Rates) volume variable cost, from USPS LR-I-198. Column 7 calculates the estimated dollar impact on Test Year 2001 Before Rates

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incremental cost. This is calculated as the ratio of Base Year 1998 volume-related incremental cost divided by Base Year 1998 volume variable cost times the Test Year 2001 (Before Rates) dollar impact on volume variable cost from column 5. Column 8 calculates the estimated dollar impact on Test Year 2001 (After Rates) incremental cost, calculated in a similar fashion. Columns 9 and 10 show what total incremental cost for Test Year 2001 (Before Rates) and Test Year 2001 (After Rates) would be if these estimates were incorporated into the analysis.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KEY TO INTERROGATORY OF ASSOCIATION OF PRIORITY MAIL USERS

ATTACHMENT 1. IMPACT OF CORRECTING DISTRIBUTION OF REHABILITATION PROGRAM ON TEST YEAR INCREMENTAL COST

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	BY 1988 MAIL PROCESSING VOLUME VARIABLE COST		BY 1988 MAIL PROCESSING VOLUME-RELATED INCREMENTAL COST		TY 2001 (BR) DOLLAR IMPACT OF CORRECTING DISTRIBUTION FOR REHABILITATION PROGRAM		TY 2001 (AR) DOLLAR IMPACT ON INCREMENTAL COST OF CORRECTION DISTRIBUTION FOR REHABILITATION PROGRAM		TY 2001 (BR) TOTAL INCREMENTAL COST WITH CORRECTED DISTRIBUTION OF REHABILITATION PROGRAM		TY 2001 (AR) TOTAL INCREMENTAL COST WITH CORRECTED DISTRIBUTION OF REHABILITATION PROGRAM	
		(1) LR-150, IC-Summary 1st, Independent VWC C7	(2) LR-150, IC-Summary 1st, IC Independent VWC Prod Spec C1	(3) USPS-T-23, Table 1A, C4	(4) USPS-T-23, Table 1A, C8	(5) LR-1-198, C12	(6) LR-1-198, C13	(7) =C5 x (C2/C1)	(8) =C6 x (C2/C1)	(9) =C3 + C7	(10) =C4 + C8		
1	FIRST-CLASS MAIL:												
2	SINGLE-PIECE LETTERS	5,073,478	5,262,085	14,200,464	14,179,317	18,756	18,656	17,379	17,276	14,277,843	14,196,593		
3	PRESORT LETTERS	1,257,869	1,263,969	5,218,914	5,188,914	4,905	4,899	4,929	4,923	5,223,843	5,193,837		
4	SINGLE-PIECE CARDS	198,617	198,051	567,908	552,719	620	603	621	604	598,529	553,324		
5	PRESORT CARDS	38,358	38,369	174,731	170,800	144	140	144	141	174,875	170,941		
6	TOTAL FIRST-CLASS	6,556,422	6,883,032	20,933,880	20,900,689	22,425	22,299	23,535	23,403	20,957,414	20,824,992		
7	PRIORITY MAIL	648,963	649,867	3,643,465	3,441,926	(51,575)	(48,439)	(51,649)	(48,509)	3,591,816	3,593,418		
8	EXPRESS MAIL	93,400	93,407	719,220	723,701	357	360	357	360	719,577	724,081		
9	MAILGRAMS	172	172	1,017	1,026	0	0	0	0	1,018	1,027		
10	PERIODICALS:												
11	IN-COUNTRY	13,182	13,182	82,923	82,098	42	42	42	42	82,965	82,140		
12	OUTSIDE COUNTRY:												
13	REGULAR	578,403	578,345	2,050,321	2,000,331	2,040	1,990	2,047	1,997	2,052,368	2,002,328		
14	NON-PROFIT	98,154	98,201	372,301	390,717	299	314	299	314	372,600	391,032		
15	CLASSROOM	5,203	5,202	14,321	14,071	16	16	16	16	14,337	14,087		
16	TOTAL PERIODICALS	680,942	683,677	2,529,870	2,497,245	2,398	2,362	2,407	2,371	2,532,277	2,499,616		
17	STANDARD MAIL (A):												
18	SINGLE-PIECE RATE	91,258	91,278	-	-	-	-	-	-	-	-		
19	COMMERCIAL STANDARD:												
20	ENHANCED CARR RTE	282,588	282,911	2,875,104	2,817,126	991	969	992	970	2,878,098	2,818,097		
21	REGULAR	2,040,169	2,059,628	7,242,821	6,937,525	8,441	8,100	8,521	8,177	7,251,343	6,945,702		
22	TOTAL COMMERCIAL	2,332,757	2,357,578	10,138,605	9,767,090	9,432	9,069	9,532	9,166	10,148,138	9,776,256		
23	AGGREGATE NONPROFIT:												
24	NONPROFIT ENH CARR RTE	44,975	44,980	212,580	208,768	185	182	185	182	212,746	208,931		
25	NONPROFIT	412,448	413,235	1,338,791	1,334,443	1,524	1,513	1,527	1,516	1,341,318	1,335,959		
26	TOTAL AGGREGATE NONPROFIT	457,423	458,345	1,551,371	1,544,778	1,689	1,678	1,693	1,678	1,555,704	1,546,457		
27	TOTAL STANDARD (A)	2,891,438	2,819,280	11,812,270	11,431,873	11,121	10,745	11,267	10,886	11,823,537	11,442,559		
28	STANDARD MAIL (B):												
29	PARCELS ZONE RATE	241,341	241,589	1,105,986	1,079,739	986	951	987	956	1,108,953	1,090,695		
30	BOUND PRINTED MATTER	125,361	125,361	498,091	482,390	485	471	486	472	497,177	482,882		
31	SPECIAL STANDARD	80,866	80,869	305,877	302,020	310	306	310	306	305,987	302,326		
32	LIBRARY MAIL	11,533	11,534	48,355	47,504	42	41	42	41	48,367	47,545		
33	TOTAL STANDARD (B)	458,101	459,844	1,973,657	1,930,237	1,803	1,774	1,808	1,777	1,977,463	1,932,014		
34	US POSTAL SERVICE	130,512	130,554	40,322	40,368	420	420	420	420	420	420		
35	FREE MAIL	14,912	14,912	40,322	40,368	55	55	55	55	40,378	40,423		
36	INTERNATIONAL MAIL	261,520	261,582	1,573,199	1,531,016	942	914	943	914	1,578,112	1,531,931		
37	SPECIAL SERVICES:												
38	REGISTRY	37,006	37,009	88,381	85,307	100	96	100	96	89,481	85,403		
39	CERTIFIED	32,044	32,044	588,165	548,669	122	113	122	113	589,287	548,782		
40	INSURANCE	1,784	1,765	78,780	75,016	7	7	7	7	78,787	76,787		
41	COO	557	558	15,129	15,016	2	2	2	2	15,131	15,017		
42	SPECIAL DELIVERY												
43	MONEY ORDERS	3,510	3,655	224,831	217,464	14	14	15	14	224,845	217,478		
44	STAMPED CARDS												
45	STAMPED ENVELOPES	117	122	3,444	3,444	0	0	0	0	3,444	3,444		
46	SPECIAL HANDLING	465	485	12,551	12,551	2	2	2	2	12,549	12,551		
47	POST OFFICE BOX	2,753	2,867	2,492	2,490	2	2	2	2	2,493	2,491		
48	OTHER	41,338	41,339	598,677	590,449	11	10	11	11	598,688	590,460		
49	TOTAL SPECIAL SERVICES	119,576	119,842	1,786,487	1,734,743	415	401	416	402	1,796,902	1,735,145		

1 CHAIRMAN GLEIMAN: Is there any additional
2 designated written cross examination? Mr. McKeever?

3 MR. McKEEVER: Thank you, Mr. Chairman. We do
4 have four interrogatory responses that we neglected to
5 designate for written cross.

6 I spoke to Mr. Koetting about it. He indicated
7 that the Postal Service has no objection to us entering
8 those today.

9 CHAIRMAN GLEIMAN: Please proceed.

10 CROSS EXAMINATION

11 BY MR. McKEEVER:

12 Q Ms. Kay, I have just handed you a copy of your
13 responses to Interrogatories UPS/USPS-T23-1, 6, 7 and 8.

14 If those questions were asked of you today, would
15 your answers be the same?

16 A Yes, they would.

17 MR. McKEEVER: Mr. Chairman, with that, I move
18 that Ms. Kay's answers to Interrogatories UPS/USPS-T23-1, 6,
19 7, and 8 be admitted into evidence and transcribed into the
20 record as written cross examination of Postal Service
21 Witness Kay.

22 CHAIRMAN GLEIMAN: If you would please provide the
23 reporter with two copies, I will indicate that that material
24 should indeed be entered into the record and transcribed.

25 MR. McKEEVER: Thank you, Mr. Chairman.

1 [Additional Written
2 Cross-Examination and Responses of
3 Nancy R. Kay, UPS/USPS-T23-1, 6, 7
4 and 8 were received into evidence
5 and transcribed into the record.]
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**RESPONSE OF POSTAL SERVICE WITNESS KAY
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UPS/USPS-T23-1.

Refer to Library Reference I-150, folder "Support Materials," file "By98Data.xls," worksheet tab "advertising," and Library Reference I-150, folder "IC MODEL," subfolder "R00-1," file "IC_Forms.xls," worksheet tab "PROD SPEC."

(a) Confirm that the total advertising expenditures of the Postal Service in FY1998 were \$300,800,216.

(b) Confirm that the Postal Service considers \$87,701,000 of total advertising expenses in FY1998, or approximately 29 percent, to be product-specific advertising.

(c) Refer to Docket No. R97-1, Appendices to Opinion and Recommended Decision (May 11, 1998), Volume 2, Appendix J, at 15, which shows Test Year 1998, After Rates, total advertising costs of \$299,001,000, of which \$64,312,000 (or approximately 22%) were attributed to Priority Mail. The Base Year 1998 total advertising costs reported in Library Reference I-150 are \$300,800,216, — slightly higher than the Test Year 1998 estimate in Docket No. R97-1 — of which \$36,633,000 are attributed to Priority Mail.

(i) Please explain the reasons for the decrease of approximately \$27,679,000 in Priority Mail advertising costs from the Test Year 1998 estimate in Docket No. R97-1 to the Base Year 1998 amount which the Postal Service attributes to Priority Mail in this proceeding.

(ii) What factors contributed to the apparent decrease in Priority Mail advertising in Base Year 1998 from the level estimated in Docket No. R97-1, while the overall level of advertising costs remained essentially as estimated in Docket No. R97-1?

RESPONSE:

a) Confirmed.

b) Not confirmed, in light of the revisions to my testimony, my workpapers, and LR-I-150, filed on March 13, 2000. With these revisions, the total amount of product specific advertising costs (if International Mail as a whole is considered a specific product, as is the case in domestic ratemaking) for BY 1998 is \$137.286 million, which consists of the following:

Money Orders	\$ 8.928 million
Post Office Boxes	\$ 1.116 million
Priority Mail	\$ 79.252 million
Parcel Post	\$ 20.064 million
Express Mail	\$ 1.003 million
International	\$ 26.923 million

Moreover, there are an additional \$39.747 million of advertising expenses which I include in product group specific costs when I calculate the incremental costs for certain groups of products. These consist of \$27.802 million allocated to the Advertising group of products, \$10.829 million allocated to the Correspondence group of products, and \$1.116 million allocated to the Total Special Services group, beyond the amounts allocated specifically to Money Orders and PO Boxes. (The amounts shown above for specific products are also included, where appropriate, in product group incremental cost estimates.)

- c) Given the above response, this subpart is no longer applicable.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE WITNESS KAY TO
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UPS/USPS-T23-6. Refer to your Workpapers, IC07.xls, tab Inputs. In column 6, line 53, total route costs of \$2,229,918,000 for Cost Segment 7 are from Meehan's B Workpapers, CS06&7.xls, tab 7.0.1 and 7.0.3. In column 6, line 55, volume variable costs of \$182,971,000 for Cost Segment 7 are from Meehan's B Workpapers, CS06&7.xls, tab 7.0.1 and 7.0.3. Refer also to your Workpapers, IC07.xls, tab Route Summary. Two product specific categories for Express Mail – (1) Drop/Pick-up for Special Purpose Routes ("SPR") and (2) Drop/Pick-up for Mixed Letter Route ("MLR") – are included in your incremental costs for route activities.

- (a) Describe how incremental costs are derived for Express Mail – Drop/Pick-up for SPR and Drop/Pick-Up for MLR.
- (b) Do Drop/Pick-up costs for SPR represent the only incremental costs within SPR route costs?
- (c) Confirm that the only product-specific incremental costs within SPR route costs are attributed to Express Mail.
- (d) Explain why Express Mail Drop/Pick-up costs are incremental costs and not volume variable costs. Identify any data sources and other documentation, including reports or studies, that support this conclusion.
- (e) What cost segments besides Cost Segment 12 use allocations from these Cost Segment 7 costs (piggy-back)?

RESPONSE

- (a) The steps that I use to derive the incremental cost for any cost component or cost pool (sub-component) are described on pages 4-9 of my testimony. In the case of the cost pools for Drop/Pick-ups for Express Mail Facilities, I first examine the workpapers of witness Meehan (USPS LR-I-80, file CS06&7.xls, tabs 7.0.5 and 7.0.4.4.) Worksheets 7.0.5 and 7.0.4.4 show cost pools for Drop/Pick-ups for Express Mail for special purpose routes (7.0.5, column 1 line 28 and column 2 line 28) and for motorized letter routes (WS 7.0.4.4, column 3 line 8. To determine the correct incremental cost analysis to apply to these cost pools, I categorize the cost pools according to the types identified in Table 1 of Dr. Bradley's testimony (USPS-

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T-22, page 22). Three questions must be answered in order to categorize a cost pool:

- Are the costs in the pool fixed or variable?
- How many products are handled in the cost pool?
- Is the cost pool variability equal to 1, or less than 1?

Express Mail interfacility run costs are considered variable costs, in that they do not occur at zero volume (see USPS-T-22, page 19). Witness Nelson (Docket R97-1, USPS-T-19, page 8) describes Express Mail interfacility service:

"...Such movements typically involve modest piece volumes moving in small vehicles on schedules established entirely by Express Mail distribution requirements...In particular, they are caused by the existence of Express Mail service, but do not vary measurably with piece volume."

This description of Express Mail interfacility service leads me to the conclusion that Express Mail is the only product handled in the cost pool. Thus, incremental cost is equal to the total cost in the pool.

- (b) Yes.
- (c) Confirmed.
- (d) See the answer to (a) above.
- (e) The incremental cost for components dependent on the allocations of cost segments 6 and 7 is calculated in volume 2 my Workpapers, pages IIA-718 through IIA-750. The electronic version can be found in USPS LR-I-150, folder IC Model/R00-1, file IC Dependent.xls, tabs Office, Load, Access, and Route. The cost segment for each dependent component is listed. As discussed on pages 8 and 9 of my testimony, I include only volume-related incremental cost in the

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calculation of incremental cost for dependent components. Product specific costs, which include *intrinsic costs* (costs that vary with the level of output but do not vary at the margin), are not included in the calculation of incremental costs for dependent components.

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UPS/USPS-T23-7. Refer to page 5, lines 12-15, of witness Plunkett's testimony, where he states that "implementation of the Eagle Network enabled the Postal Service to provide much more reliable service for Express and Priority Mail between major markets...." Refer also to the Commission's decision in Docket No. R97-1, at volume 1, pages 221-22, where the Commission attributed the "fixed" costs of the Eagle network exclusively to Express Mail based on witness Takis' testimony that "if Express Mail were eliminated, then the Eagle Network would be shut down, and Priority and First-Class Mail would be diverted onto commercial flights with no degradation of service quality."

(a) In your calculation of incremental costs, did you consider witness Plunkett's statement that the Eagle network "enabled the Postal Service to provide much more reliable service for Express and Priority Mail between major markets"?

(b) Do you agree with this statement by witness Plunkett?

(c) How did the Eagle network's benefit to Express Mail and Priority Mail affect, if at all, your calculation of the network premium?

RESPONSE

(a) No. I was informed that the Eagle network was designed to provide dedicated air transportation for Express Mail so that it could reliably make its service commitment and thus provides overnight operations. Express Mail volumes alone rarely fill the planes, and Priority and First-class are used as filler. There are alternatives to the Eagle network for the prompt transportation of two-day mail, like commercial air (particularly between major markets). No such alternatives exist for Express Mail, and I understand that the network was set up to provide this transportation.

(b) Because Eagle is an overnight network, any mail traveling on Eagle will get the benefit of overnight service. However, this does not mean that Priority Mail would not meet its service standards using alternative means, especially between major markets. Increased service reliability for Priority Mail

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might also be due to the use of Eagle planes during daytime hours (Daynet), which was instituted to provide better service to two and three day mail (see witness Pickett, USPS-T-19, page 4). Costs for Daynet do not enter into the calculation of Eagle premium costs.

(c) The Eagle network's benefit to Priority Mail should not and did not enter into the calculation of the Eagle premium. The Eagle network exists to provide one-day service for Express Mail. This is why the Eagle network premium is assigned to Express Mail. As stated in the response to part (a), Priority Mail is considered filler on the Eagle network, and could meet its service standards, especially between major markets, using other methods of transportation. Witness Takis provided the same reasoning in his testimony (Docket R97-1, USPS-T-41), which has been accepted and utilized by the Commission in their calculation of attributable cost.

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UPS/USPS-T23-8. Refer to pages 13-15 of your testimony, where you discuss the results of your incremental costs analysis for Express Mail and Priority Mail. Refer also to pages 1-2 of witness Pickett's testimony, where he describes the calculation of the network premium for the Eagle network, the Western network, and the Christmas network, and to page 5, lines 12-15, of witness Plunkett's testimony, where he states that "Implementation of the Eagle Network ... enabled the Postal Service to provide much more reliable service for Express and Priority Mail between major markets...." Refer also to the Commission's decision in Docket No. R97-1, at volume 1, pages 221- 22, where the Commission attributed the "fixed" costs of the Eagle network exclusively to Express Mail based on witness Takis' testimony that "if Express Mail were eliminated, then the Eagle Network would be shut down, and Priority and First-Class Mail would be diverted onto commercial flights with no degradation of service quality."

(a) In your calculation of incremental costs for Express Mail and Priority Mail, did you consider witness Plunkett's statement that the Eagle network "enabled the Postal Service to provide much more reliable service for Express and Priority Mail between major markets"?

(b) Do you agree with this statement by witness Plunkett?

(c) How did the Eagle network's benefit to Express Mail and Priority Mail affect, if at all, your calculation of incremental costs for these subclasses?

RESPONSE

See the response to UPS/USPS-T23-7.

1 CHAIRMAN GLEIMAN: Any other designated written
2 cross? If not, that brings us to oral cross examination,
3 and as Mr. Koetting had indicated earlier on, no party had
4 requested oral cross in advance of today.

5 Does any party here today wish to cross examine
6 the witness? If not, that brings us to questions from the
7 bench.

8 Are there any questions from the bench for this
9 witness? Commissioner Omas?

10 COMMISSIONER OMAS: Yes. Ms. Kay, in Library
11 Reference 150 you have a spreadsheet and on page 5, entitled
12 "Fiscal Year 1998 Costs" in this spreadsheet, which includes
13 an errata filed on March the 13th you have a total
14 advertising cost for FY '98 at close to \$291.3 million.

15 Similarly, Witness Meehan included a spreadsheet
16 with her testimony entitled, "Development of Costs by
17 Segments and Component Base Year, 1998." In that
18 spreadsheet there is a figure calculated for advertising of
19 \$300.8 million.

20 Can you reconcile these two figures for us?

21 THE WITNESS: I show \$300.8 on my page 5 of
22 LRI-150.

23 I show the same figure.. Perhaps I should look at
24 the revised page.

25 COMMISSIONER OMAS: Yes. I have page 5 here and

1 it shows \$291 and it was revised on 3-13. Have you revised
2 it since then?

3 THE WITNESS: No, I haven't -- oh, I see. This
4 sheet was given to me by the Marketing Department in
5 International. I did not generate these costs. I would
6 have to refer to them and find out why there is a
7 difference.

8 COMMISSIONER OMAS: Could you do that?

9 THE WITNESS: Yes, I will.

10 COMMISSIONER OMAS: Thank you. Another question,
11 if I may, please.

12 The spreadsheet you filed as part of Library
13 Reference 150 also has categories -- Special Services, EPS,
14 Ad Mail, and C&T -- across the top column.

15 Would you elaborate for us within each of these
16 items the rate categories that are included?

17 For example, within Ad Mail, in
18 NAA/UPS/USPS-T23-5(b) you say the group consists of all mail
19 subclasses in Standard A plus in Standard B Bound Printed
20 Matter.

21 What subclasses are included in the other three
22 categories?

23 THE WITNESS: Okay. It is my understanding that
24 these categories are business groups within the Postal
25 Service and the business group for Special Services includes

1 all the Special Services, all those categories. For EPS
2 that would be Priority, Express, Zone Rate, and the other
3 categories in Standard B except for Bound Printed Matter.

4 For Advertising Mail, as you said, that is all of
5 Standard A plus Bound Printed Matter, and C&T would be all
6 of First Class plus Mailgrams.

7 COMMISSIONER OMAS: Thank you. One last question.
8 Along the left side of that spreadsheet you have references.
9 If I have deciphered the abbreviations correctly, do
10 Corporate Brand Sponsors, Industrial Management, Specialty
11 Markets, and Retail Channels as well as one I could not
12 decipher -- Corr & Trans -- among others, would you describe
13 for us examples of advertising efforts in each of these
14 areas?

15 THE WITNESS: Again, as I answered previously, I
16 was given this breakdown of costs by the Advertising
17 Department and we would have to go back to them to find out
18 details on what is included under those categories.

19 COMMISSIONER OMAS: If you would do that, I would
20 appreciate it.

21 THE WITNESS: Do you want all of the categories or
22 just particular ones?

23 COMMISSIONER OMAS: Those that I stated.

24 THE WITNESS: Okay. Could you repeat those,
25 please?

1 CHAIRMAN GLEIMAN: I don't think that that will be
2 necessary because it will show up in the transcript tomorrow
3 morning.

4 THE WITNESS: Okay.

5 COMMISSIONER OMAS: Thank you very much.

6 CHAIRMAN GLEIMAN: Or maybe this evening,
7 depending on how good the court reporting service is.

8 COMMISSIONER OMAS: Thank you, Ms. Kay --

9 THE WITNESS: You're welcome.

10 COMMISSIONER OMAS: -- and thank you, Mr.
11 Chairman.

12 CHAIRMAN GLEIMAN: And the seven day rule will
13 apply, okay?

14 Any other questions from the bench?

15 Follow up to questions from the bench?

16 Time for redirect?

17 MR. KOETTING: No, Mr. Chairman.

18 CHAIRMAN GLEIMAN: If there is no redirect, then
19 Ms. Kay, that completes your testimony here today. We
20 appreciate your appearance, your contributions to the
21 record, and we want to thank you. You are excused.

22 [Witness excused.]

23 CHAIRMAN GLEIMAN: Mr. Hollies, when you are ready
24 to call the next witness.

25 MR. HOLLIES: The Postal Service calls its next

1 witness, Jennifer J. Xie, to the stand.

2 CHAIRMAN GLEIMAN: Ms. Xie, before you settle in,
3 if I could get you to raise your right hand.
4 Whereupon,

5 JENNIFER J. XIE,
6 a witness, was called for examination by counsel for the
7 United States Postal Service and, having been first duly
8 sworn, was examined and testified as follows:

9 CHAIRMAN GLEIMAN: Please be seated.
10 Counsel, you can proceed.

11 DIRECT EXAMINATION

12 BY MR. HOLLIES:

13 Q Ms. Xie, I have handed to you, two copies of a
14 document entitled Testimony of Jennifer J. Xie, on Behalf of
15 United States Postal Service. Do you recognize those
16 documents?

17 A Yes, I do.

18 Q I note that they are also identified as USPS-T-1;
19 is that correct?

20 A Yes, it is.

21 Q Was that document prepared by you or under your
22 direction?

23 A Yes.

24 Q And does it include errata filed earlier this
25 week?

1 A Yes, it does.

2 Q And were you to testify orally today, would your
3 testimony be the same?

4 A Yes, it would.

5 MR. HOLLIES: The Postal Service therefore moves
6 the admission of USPS-T-1 into evidence.

7 CHAIRMAN GLEIMAN: Is there any objection?

8 [No response.]

9 CHAIRMAN GLEIMAN: Hearing none, if counsel would
10 provide the Reporter with two copies of the corrected direct
11 testimony of Witness Xie, I will direct that that testimony
12 be received into evidence and not transcribed in the record.

13 [Direct Testimony of Jennifer J.

14 Xie was received into evidence.]

15 CHAIRMAN GLEIMAN: Is the witness sponsoring any
16 Category II Library References, counsel?

17 MR. HOLLIES: Yes.

18 BY MR. HOLLIES:

19 Q Ms. Xie, did you prepare Library Reference
20 USPS-LR-I-54?

21 A Yes.

22 Q And do you sponsor that as evidence in this case?

23 A Yes, I do.

24 MR. HOLLIES: The Postal Service therefore moves
25 for admission of Library Reference 54.

1 CHAIRMAN GLEIMAN: The Library Reference in
2 question will be admitted into evidence, but not transcribed
3 into the record.

4 [Library Reference LR-I-54 was
5 received into evidence.]

6 CHAIRMAN GLEIMAN: Ms. Xie, have you had an
7 opportunity to examine the packet of designated written
8 cross examination that was made available to you earlier
9 today?

10 THE WITNESS: Yes.

11 CHAIRMAN GLEIMAN: And if these questions were
12 asked of you today, would your answers be the same as those
13 you previously provided in writing?

14 THE WITNESS: Yes, they would.

15 CHAIRMAN GLEIMAN: That being the case, counsel,
16 if you would please provide two copies of the Designated
17 Written Cross Examination of the witness to the Reporter,
18 I'll direct that the material be received into evidence and
19 transcribed into the record.

20 [Designated Written Cross
21 Examination of Jennifer J. Xie was
22 received into evidence and
23 transcribed into the record.]

24
25

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS JENNIFER XIE
(USPS-T-1)

Party

Interrogatories

Coalition of Religious Press
Associations

CRPA/USPS-T1-1-6
FGFSA/USPS-T1-1, 24-25

Florida Gift Fruit Shippers Association

FGFSA/USPS-T1-1-6, 8-9, 11-29

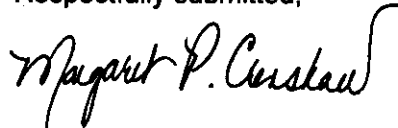
Magazine Publishers of America

FGFSA/USPS-T1-1, 9, 17, 21-22, 25, 28
MPA/USPS-T1-5-7, 9, 12-14, 16
MPA/USPS-T18-9 redirected to T1
UPS/USPS-T1-65, 71

United Parcel Service

FGFSA/USPS-T1-15
UPS/USPS-T1-1, 18, 20-27, 29-30, 34a-c, 35-42,
43c-d, 47-49, 50a, 64

Respectfully submitted,



Margaret P. Crenshaw

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS JENNIFER XIE (T-1)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

Interrogatory:

CRPA/USPS-T1-1
CRPA/USPS-T1-2
CRPA/USPS-T1-3
CRPA/USPS-T1-4
CRPA/USPS-T1-5
CRPA/USPS-T1-6
FGFSA/USPS-T1-1
FGFSA/USPS-T1-2
FGFSA/USPS-T1-3
FGFSA/USPS-T1-4
FGFSA/USPS-T1-5
FGFSA/USPS-T1-6
FGFSA/USPS-T1-8
FGFSA/USPS-T1-9
FGFSA/USPS-T1-11
FGFSA/USPS-T1-12
FGFSA/USPS-T1-13
FGFSA/USPS-T1-14
FGFSA/USPS-T1-15
FGFSA/USPS-T1-16
FGFSA/USPS-T1-17
FGFSA/USPS-T1-18
FGFSA/USPS-T1-19
FGFSA/USPS-T1-20
FGFSA/USPS-T1-21
FGFSA/USPS-T1-22
FGFSA/USPS-T1-23
FGFSA/USPS-T1-24
FGFSA/USPS-T1-25
FGFSA/USPS-T1-26
FGFSA/USPS-T1-27
FGFSA/USPS-T1-28
FGFSA/USPS-T1-29

Designating Parties:

CRPA
CRPA
CRPA
CRPA
CRPA
CRPA
CRPA, FGFSA, MPA
FGFSA
FGFSA
FGFSA
FGFSA
FGFSA
FGFSA
FGFSA, MPA
FGFSA
FGFSA
FGFSA
FGFSA
FGFSA, UPS
FGFSA
FGFSA, MPA
FGFSA
FGFSA
FGFSA, MPA
FGFSA, MPA
FGFSA
CRPA, FGFSA
CRPA, FGFSA, MPA
FGFSA
FGFSA
FGFSA, MPA
FGFSA

MPA/USPS-T1-5	MPA
MPA/USPS-T1-6	MPA
MPA/USPS-T1-7	MPA
MPA/USPS-T1-9	MPA
MPA/USPS-T1-12	MPA
MPA/USPS-T1-13	MPA
MPA/USPS-T1-14	MPA
MPA/USPS-T1-16	MPA
MPA/USPS-T18-9 redirected to T1	MPA
UPS/USPS-T1-1	UPS
UPS/USPS-T1-18	UPS
UPS/USPS-T1-20	UPS
UPS/USPS-T1-21	UPS
UPS/USPS-T1-22	UPS
UPS/USPS-T1-23	UPS
UPS/USPS-T1-24	UPS
UPS/USPS-T1-25	UPS
UPS/USPS-T1-26	UPS
UPS/USPS-T1-27	UPS
UPS/USPS-T1-29	UPS
UPS/USPS-T1-30	UPS
UPS/USPS-T1-34a	UPS
UPS/USPS-T1-34b	UPS
UPS/USPS-T1-34c	UPS
UPS/USPS-T1-35	UPS
UPS/USPS-T1-36	UPS
UPS/USPS-T1-37	UPS
UPS/USPS-T1-38	UPS
UPS/USPS-T1-39	UPS
UPS/USPS-T1-40	UPS
UPS/USPS-T1-41	UPS
UPS/USPS-T1-42	UPS
UPS/USPS-T1-43c	UPS
UPS/USPS-T1-43d	UPS
UPS/USPS-T1-47	UPS
UPS/USPS-T1-48	UPS
UPS/USPS-T1-49	UPS
UPS/USPS-T1-50a	UPS
UPS/USPS-T1-64	UPS

UPS/USPS-T1-65
UPS/USPS-T1-71

MPA
MPA

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T-1-1

Please refer to Table 3 (page 18) of your testimony.

Why is no lower limit provided for the 95 % confidence range for 3C
Nonprofit ECR?

RESPONSE.

The lower limit of the 95% confidence range for 3C Nonprofit ECR is zero.

EXCEL shows '-' for a zero under the '1000-separator (,)' format.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T-1-2

Please refer again to Table 3 (page 18) of your testimony.

- a. The total shown for each of the three columns appears to be the arithmetic sum of the numbers in the column; please confirm or disconfirm.
- b. If you disconfirm, please indicate how the respective totals were calculated.

RESPONSE

- a. Confirmed.
- b. N/A.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T-1-3

Referring yet again to Table 3 (page 18) of your testimony, when a value is omitted from one of the columns, as is the case for the Lower 95 % C.L. for 3C non-profit ECR, does this not distort the meaning of the sum for that column?

RESPONSE

There isn't any omitted value in the referred table. See my answer to CRPA/USPS-T-1-1.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T1-4

Please refer to your responses to CRPA/USPS-T-1-1 and CRPA/USPS-T-1-3. In a normally distributed variable, such as is assumed when confidence levels are calculated for the data which are presented in your Table 3 (page 18 of your testimony),

(a) is it not the case that the Upper 95 % C.L. and the Lower 95% C.L. are equidistant from the mean?

(b) is it not the case in your Table 3 that statistically, the Lower 95% C.L. for 3C nonprofit ECR is approximately -\$415,000, even though such a number, being negative, could not be meaningful as a "cost" to the Postal Service? If not, why not?

RESPONSE.

(a) Yes. However, in situations where the lower bound results in a negative cost, I have truncated the confidence interval at 0.

(b) Yes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T1-5

If you confirm T-1-4(b), and if the -415 were entered into Table 3 at the point above-referenced, then would the aggregate Lower 95% C.L. for BY98 Inter-SCF Highway Costs be approximately \$323,610,000? If not, why not?

RESPONSE

No. The intervals shown for aggregate costs in my testimony were unintended and are incorrect. TRACS distribution keys were applied to the aggregate cost. Hence, relative to TRACS sampling, the aggregate cost is a constant and is not subject to random variation. I intentionally summed costs across subclasses, but unintentionally summed over the lower and upper confidence intervals. The lower and upper confidence limits for total costs should be deleted from Tables 1-4 of my testimony.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

CRPA/USPS-T-1-6

Which Postal Service witnesses used the C.L. ranges from your testimony in preparing their testimonies? (Please provide citations.)

RESPONSE.

To the best of my knowledge, no Postal Service witness relies on the confidence limits in my testimony. They are provided to satisfy the requirements of Rule 31 (k) (ii) (a).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-1. Identify all changes which have been made in the statistical sampling system for TRACS highway subsystem since the description was provided in Docket No. R97-1, and explain the reason for each change.

RESPONSE.

Following are the changes between BY96 and BY98:

- 1) We changed the estimation methodology to make it more consistent with the cost driver and the statistical design.
- 2) We changed sample allocations for Intra-BMC and Intra-SCF. See my response to MPA/USPS-T1-3.
- 3) We changed the sample selection algorithm. See my response to UPS/USPS-T1-61 (j).
- 4) We modified the production programs to incorporate Y2K changes.
- 5) We automated numerous manual steps in the TRACS production process, which impacted programs for sample selection, data editing, expansion, and distribution key calculation
- 6) We revised the variance estimation methodology to properly account for correlation among mail categories.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-2. Refer to pages 4 and 5 of T1, and explain what factors are applied to the percent of vehicle floor space occupied to establish the cubic feet utilized and explain how those factors were developed.

RESPONSE.

Please refer to USPS-LR-I-52, sections VII (1), (2), and (3) for a precise explanation for all the factors used in the process and the exact formulas used in the calculation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-3. Refer to page 5 of T1: (a) Explain how (sic) the "total cubic-foot-miles" used to calculate the distribution keys are developed from the test data recorded. (b) Confirm that the "total cubic-foot-miles" is the sum of all cubic-foot-miles for all of the mail for which data is recorded. If you do not confirm, please explain fully. (c) Explain whether or not, and if so, how, the "total cubic-foot-miles" includes the unutilized space in the vehicle.

RESPONSE.

- (a) See my response to FGFSA/USPS-T1-2.
- (b) Confirmed with clarification: The "total cubic-foot-miles" is the total expanded cubic-foot-miles summed across all the mail categories.
- (c) Please refer to USPS-LR-I-52, sections VII (1), (2), and (3) for a precise explanation and the exact formulas used to calculate the "total cubic-foot-miles".

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-4. Refer to page 5, fn (sic) 8 of T1: Explain the "minor program error" that was detected for the Inter-BMC cost and the Intra-BMC cost in the Cost Segment 14B workpapers and what corrections were applied.

RESPONSE.

In the costs included in the Cost Segment 14B Workpapers, a constant value for vehicle capacity was inadvertently used instead of the variable value representing vehicle capacity. The program error was revised. The program was re-run, and the corrected numbers are incorporated in Tables 1-4 of my Testimony. The numbers included in the Cost Segment 14B Workpapers are also provided in Table 10 for reference purposes. For Inter-BMC and Intra-BMC, the net effect for parcel post was about \$11,000 dollars, which is less than one-tenth of one percent of the cost.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-5. Confirm that the distribution key for highway transportation cost is based on the ratio of cubic-foot-miles for each class/subclass of mail tested in the TRACS program to the total cubic-foot-miles for all mailed so tested. If you do not confirm, please fully explain.

RESPONSE.

Confirmed with clarification. The distribution keys for highway transportation costs are based on the ratio of expanded cubic-foot-miles for each class/subclass of mail to the total expanded cubic-foot-miles summed across all the classes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-6. Confirm that the primary objective of the TRACS Highway Subsystem is to develop quarterly distribution keys to distribute the total of the volume variable costs of purchased highway contracts to the classes and subclasses of mail actually using the transportation service for the quarter. If you do not confirm, please fully explain.

RESPONSE.

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-8. Assume that the vehicle has unused capacity of 80% at the last stop on the outbound trip, and that on the same trip, there was no unused capacity at the first stop. If the TRACS sample is made at the last stop, will the recorded data reflect the same cubic feet of sampled mail as would be recorded if the sample is made at the first stop, and the sampled mail is identical? If not, please fully explain.

RESPONSE.

The recorded data would reflect different vehicle utilization, but reflect the same mail information if the sampled mail is identical.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T1-9. Assume a round-trip in Intra-BMC covering 150 miles in each direction, with only a single stop - the destination of the outbound trip and the origin of the inbound trip. At the destination of the outbound trip, the vehicle was 10% empty. At the destination of the inbound trip, the vehicle was 80% empty. Also, there is a single bed-loaded parcel, having 1 cubic feet, included in the TRACS sample at each destination. (a) Will the recorded cubic-foot-miles for each of the two parcels be the same? If not, please explain. (b) Will the cubic-foot-miles for each of the two parcels taken into account in the development of the distribution keys be the same? If not, please explain.

RESPONSE.

(a) TRACS does not record cubic-foot-miles for mail items. It records the weight, the mail category, the item type, and the origin facility where the item was loaded onto the vehicle.

(b) The answer may vary, depending on numerous factors. It depends on the stratum weight (clearly they are in different strata), what else was unloaded from the vehicle, and the way mail was loaded on the vehicle. If we denote 'I' and 'O' as the fully expanded cubic-foot-miles for the inbound parcel and the outbound parcel, respectively, any one of the following three outcomes is possible: (1) 'I' is larger than 'O'; (2) 'I' and 'O' are equal; and (3) 'I' is smaller than 'O'. The following table illustrates the third scenario:

T1-9

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

	Inbound	Outbound
Stratum Weights	700	1,000
Truck capacity	1,800	1,800
Percent of empty	80%	10%
Percent of loose item unloaded	5%	5%
Cubic-feet of loose parcels unloaded	1	1
Cubic-feet of other loose items unloaded	8	1
Cubic-feet of parcel expanded to unloaded capacity	10	45
Cubic-feet of others expanded to unloaded capacity	80	45
Cubic-feet of loose item expanded to unloaded capacity	90	90
Cubic-feet of parcel expanded to truck capacity	50	50
Parcel cubic-feet expanded to the stratum	3,500	5,000
Miles	150	150
Fully expanded parcel cubic-foot-miles for distribution key calculation	5,250,000	7,500,000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-11. Confirm that the highway contract accounts for Inter-BMC are recorded in account number 53131 and for Intra-BMC in account number 53127. If you do not confirm, please explain.

RESPONSE.

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-12. In an Inter-BMC trip, assume the vehicle is fully bedloaded with parcels and sacks, and that the TRACS sample occurs at the destination BMC. How many sacks and parcels will be selected for sampling? How is that number determined?

RESPONSE.

The data collector will select a total of eight parcels and sacks, unless fewer than that are unloaded, in which case they will select all sacks and parcels. The number for sacks and parcels are selected in proportion to their presence on the vehicle.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-13. Proved the definition of "item" and "item type".

RESPONSE.

With TRACS terminology, "item" refers to pieces, parcels, bundles, sacks, trays, or tubs. Items that are not in wheeled containers or on pallets are called loose items. "Item type" is the type of the item. Items are classified by the following item type: Express Item, Non-Express Sack or Pouch, Envelop Tray, Half size Envelop Tray, Flat Tray or Box, Loose Parcel or Piece (Non-Express), CON-CON, bundle, and Other.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-14. Refer to page 6 of LR-I-52. Explain how the percentage of a container occupied by each item type is determined. If the percentage is determined by estimation, explain the basis of making the estimate without the benefit of an actual count.

RESPONSE.

The data collector determines the percentage based on his/her observation of the proportion of container space taken by each item type. TRACS data collectors are trained to making such estimates. Since it is the space taken by the mail items, not the number of the items, that drives the transportation cost, it makes more sense to record the percentage than to record the pieces.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-15. (a) Confirm that, for Intra-BMC contracts, the samples allocated to each stratum are:

Inbound BMC	41%
Inbound SCF	8%
Inbound Other	2%
Outbound SCF	41%
Outbound Other	8%

(b) Confirm that, for Inter-BMC contracts, the samples allocated to each stratum are:

BMC	75%
SCF	23%
Other	2%

(c) Explain how each percentage was determined.

(d) Explain the extent to which the total mail volume each direction was taken into account in selection of the samples allocated to each stratum.

RESPONSE.

(a) Confirmed.

(b) Confirmed.

(c) These percentages are based on historical precedent. We changed the Intra-BMC allocation to alleviate a concern expressed in R97-1 about the imbalance in sample sizes between the inbound and the outbound routes. The Inter-BMC allocation is the same as was used in BY96. The allocation of tests between strata only affects the precision (variance or coefficients of variation) of the estimates, and does not affect the accuracy (bias) of the estimates. The Horvitz -Thompson type of estimator we used properly reflects the selection probabilities, and produces unbiased estimates for the cubic-foot-mile numbers used in the distribution key calculation.

7-1-15

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

(d). I am uncertain of the extent to which mail volume moving in each direction was taken into account in the original, historical allocations took the amount of mail available for sampling into consideration. See my response to USP/USPS-T1-36 (d) for an explanation on the small percent of samples allocated to the strata that are composed of non-BMC and non-SCF stops.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-16. (a) Confirm that mail sampled from a wheeled container is expanded to the cubic capacity of the container. If you do not confirm, please explain.

(b) Explain why the cubic feet of the actual contents of the container is properly expanded to determine the cubic-foot-miles traveled by the sampled mail.

(c) If the container is partially filled with several mail categories, explain how the actual number of mail pieces of each category is determined.

RESPONSE.

(a) Confirmed.

(b) See response to FGFSA/USPS-T1-7 (a).

(c) TRACS does not count the actual mail pieces by mail category for mail in a container, it sub-samples the container instead. If a container is partially filled with loose mail pieces (assuming non Express Mail), the data collector will record the percent of the container taken up by these mail pieces and sample one mail piece from them. The actual number of mail pieces of each mail category is neither recorded nor calculated in this case. It's also possible that the data collector actually counts the total number of the loose mail pieces, in case it is easier for him/her to count the number of items than to estimate the percent. Again, only one piece will be sampled. See my response to FGFSA/USPS-T1-18 (b) for the expansion algorithm used in that case.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-17. Refer to LR-1-52, page 3. For Inter-SCF contracts it is noted that "these contracts usually do not serve BMCs". Explain the justification for having 5% of the samples for Inter-SCF contracts taken at BMCs.

RESPONSE.

Although the Inter-SCF contracts usually do not serve BMCs, they do occasionally have BMC stops. We sample them since they are part of the target population; failure to sample them would result in biased estimates. The percent of sample allocated to this stratum is the same as it was in BY96.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T1-18. Refer to LR-I 52, page 6 relating to the third stage sample. (a) Explain the criteria by which the data collector decides whether to count the number of items in the container or to estimate the percentage of each item type. (b) Explain how the cubic feet are "imputed" from the number of items. (c) Explain how "The item type determines which expansion formula is used." (d) Explain the source, including the date determined, for each density factor shown in Table 1 of Appendix III.

RESPONSE.

- (a) The preference is for the data collector to record the percentage of container taken up by item type. In cases when it is easier for the data collector to count the number of items than to estimate the percent, he/she will then record the number.
- (b) The item cubic feet is imputed based on the mail in the sampled item, the number of the item in the container, other items in the container, and the container cubic-feet. The first step is to calculate the cubic-feet for the sampled item, based on the recorded mail weight and the density factor. The result is then multiplied by the number of items in the container to obtain the unadjusted cubic-feet for all the items with the same item type. This, together with the cubic-feet for all other item types, is again adjusted to the container cubic-feet.
- (c) See page 20 of USPS-LR-I-52 for formulas used to calculate gross cubic-feet for various item types.
- (d) See response to FGFSA/USPS-T1-10.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-19. Refer to LR-I-52, page 5, concerning the second stage sample. (a) If the TRACS test is made where 10 pallets are unloaded, how many pallets are selected? (b) If the TRACS test is made where 10 wheeled containers are unloaded, how many containers are selected? (c) If the TRACS test is made where 20 loose sacks are unloaded, how many sacks are selected? (d) If the TRACS test is made where 20 loose parcels are bedloaded, how many parcels are selected?

RESPONSE.

- (a) Two.
- (b) It could be three or four, depending on the random start.
- (c) It could be any number from one to eight. It depends on how many, if any, other non-containerized loose items were unloaded.
- (d) It could be any number from one to eight. It depends on how many, if any, other loose items were unloaded.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-20. Refer to LR-I-52 at page 11. In the first paragraph reference is made to mail "downloaded" from the vehicle. Confirm that this refers to mail "unloaded" from the vehicle. If you do not confirm, please fully explain.

RESPONSE.

Confirmed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-21. Refer to LR-I-52. Explain the meaning and method of determining the numbers shown in the columns headed "WT" and "TOTWT". Are these numbers actual weights from a scale measurement, or computed weights? If the latter, explain what weight factor is used to calculate the weight for each mailcode.

RESPONSE.

The variable "TOTWT" is the gross weight of a mail item (such as a letter tray, a flat tub, a sack, a parcel, etc.) and the variable "WT" is the net weight of the mail in the item for a particular mail category. These are actual weights, typically recorded from an electronic scale attached to the data collector's computer.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-22. Confirm that the TRACS data are used to estimate on a quarterly basis the percentage of capacity utilized with respect to each of the highway accounts.

(a) Provide the highway utilization factors developed for Account 53127 and 53131, for each quarter of the year covered by LR-I-52, with separate factors for the inbound and outbound movements in account 53127.

(b) Provide comparable capacity utilization data for each subsequent fiscal year.

RESPONSE.

Not confirmed. TRACS data are used to estimate on a quarterly basis distribution keys for purchased highway contracts. The data collected from TRACS can be used to estimate the requested percentage.

(a) and (b) The following table provides the requested utilization factors for each quarter in BY98 and FY99.

T-1-22

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

CONTRACT TYPE	VEHICLE UTILIZATION				
BY98	FACCAT	PQ 1, 98	PQ 2, 98	PQ 3, 98	PQ 4, 98
INTER-BMC	1	65	62	64	63
INTER-BMC	2	74	64	68	60
INTER-BMC	3	66	74	68	53
INTRA-BMC	1	38	44	38	40
INTRA-BMC	2	76	61	56	47
INTRA-BMC	3	55	39	41	53
INTRA-BMC	4	76	74	75	73
INTRA-BMC	5	55	58	63	59
FY99	FACCAT	PQ 1, 99	PQ 2, 99	PQ 3, 99	PQ 4, 99
INTER-BMC	1	66	65	61	57
INTER-BMC	2	63	62	57	56
INTER-BMC	3	45	44	37	63
INTRA-BMC	1	36	45	39	37
INTRA-BMC	2	49	53	58	48
INTRA-BMC	3	41	69	36	57
INTRA-BMC	4	75	69	70	71
INTRA-BMC	5	62	50	58	49

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-23. With respect to intra-BMC highway transportation, please confirm that, under TRACS, if the capacity utilization on the initial leg out from the BMC is twice the capacity utilization on the return portion of the trip back to the BMC, then, in the development of the distribution key, the key for the return portion of the trip will be twice the per cubic feet of actual mail as on the initial leg outbound from the BMC. If you do not confirm, please fully explain.

RESPONSE.

Not confirmed. Since these two legs belong to different strata, this will be true only if both strata have the same sampling weights.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-24. Identify where in the TRACS data, as in LR-I-52 (a) the actual cubic feet of the mail in each TRACS sample, before there is any expansion, are recorded or computed, and the cubic foot miles for each sample. If this cannot be determined from the Library Reference, please provide this data for each quarter, by transportation mode, accounts 53127 and 53131, for each Testid.

RESPONSE.

TRACS does not record the actual cubic feet of mail for the sample. It records the weight, the mail category, the item type, and the origin facility the item was loaded onto the vehicle. Those data are then used to estimate cubic feet and cubic-foot-miles for each sample. All recorded data that are used in the expansion process, before any expansion, are contained in the ZFILE. See USPS-LR-I-52, Table 8 for variables on each of the data sets in the ZFILE. All the calculations and expansions are performed in the program 'ZEXP'. The program and the SAS logs generated from executing the program for all quarters are provided in the same library reference.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-25. Confirm that TRACS computes the square feet of space occupied by palletized mail. If you do not confirm, please explain. Is there a difference if the pallets are only one high or if the pallets are stacked two high?

RESPONSE.

Confirmed. There is no difference if the pallets are only one high or if the pallets are stacked two high in that computation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-26. Refer to LR-I-52. The mail sampled is expanded up to the container level. Explain the rationale and justification for this expansion where the volume of mail at the time of the sample is insufficient to fill the container.

RESPONSE.

See the response to FGFSA/USPS-T1-7 (a).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-27. Explain the term "loose item" as used in TRACS.

(a) Are bedloaded parcels considered to be loose items?

(b) Are bedloaded sacks of mail considered to be loose items?

RESPONSE.

Loose items are non-containerized items. See my response to FGFSA/USPS-

T1-13 for the definition for 'item'.

(a) Yes.

(b) Yes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-28. Assume that there are two identical parcels, with the same weight, dimensions, cube, origin and destination, and that these two parcels are transported in Intra-BMC transportation in the same vehicle on the same route, but on different days, and that both parcels are sampled under TRACS at the same destination. The TRACS data reflects that, for the day one trip, the vehicle was 0% empty and for the day two trip, the vehicle was 50% empty. Confirm that:

(a) *The measured or computed cubic feet for each of the two parcels will be the same.*

(b) *In the expansion process, different facts will be taken into account for each parcel to reflect the different "empty" percentages.*

(c) *The expanded cubic feet of the two parcels will be different.*

(d) *The computed cubic foot miles of the two parcels will be different. If you do not fully confirm any of the above, please fully explain.*

RESPONSE.

(a) Confirmed.

(b) Confirmed.

(c) and (d) Not confirmed. There could be a case when the expanded cubic feet and cubic foot miles of the two parcels are the same. It depends on what else was unloaded from the vehicle and the way mail was loaded on the vehicle. The following table illustrates a scenario where the expanded cubic feet of the two parcels are the same, and it is also true for the computed cubic foot miles:

	Day One	Day Two
Stratum Weights	1,000	1,000
Truck capacity	1,800	1,800
Percent of empty	0%	50%
Percent of loose item unloaded	5%	5%
Cubic-feet of loose parcels unloaded	1	1
Cubic-feet of other loose items unloaded	1	3

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION**

FGFSA/USPS-T1-29. Do you agree that a reasonable distribution key would reflect actual utilization of the Intra-BMC capacity over the entire route? Please fully explain any negative response.

RESPONSE.

I do not agree. I believe that a reasonable distribution key should reflect the utilization of cubic-foot-miles of vehicle capacity on the Intra-BMC network by the various classes and subclasses of mail.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-5. For BY98, please provide the proportion of 'zero-volume tests' by highway contract type found during the TRACS sampling process. Of these, please indicate the proportion that occur at the same point as the trip origin (i.e., empty returns).

RESPONSE

Proportion of Zero-Volume Tests by Contract Type in BY98

Contract type	Inter-BMC	Inter-SCF	Intra-BMC	Intra-SCF
Zero volume	13%	19%	24%	27%

Five of the 1,424 zero-volume tests occurred at the origin. Most highway trips, as defined by its route-trip number, do not return to the origin.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-6. Please confirm that TRACS does not sample movements made using 'Roadrainers' on Amtrak. If you do not confirm, please provide documentation of the sampling process, including sample selection, field data collection and the identification of FY98 TRACS records for Amtrak Roadrailer movements.

RESPONSE

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-7. Please provide documentation of the instructions provided to field data technicians in sampling mail moving in 3910A Amtrak containers.

RESPONSE

By '3910A Amtrak containers', I assume you are referring to the containers that TRACS refers to as OTRs and BMCs. The documentation of the instructions provided to field data collectors in sampling mail moving in that type of container can be found in LR-I-18, Chapter 5, Sections 8 and 10.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-9. Please provide the best available estimate of the frequency with which "set-aside" items (other than pallets) selected in TRACS Amtrak tests and labeled with green tags are not sampled at the "downstream" postal facility. In machine-readable form, please identify Amtrak tests for which set-aside items (other than pallets) were not sampled.

RESPONSE

No data are available on the frequency with which set-aside items are selected in Amtrak tests and not sampled at the downstream postal facility. Data collectors are instructed to tag all set-aside mail and sample it when it arrives at the downstream postal facility.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-12. Please state why TRACS samples only freight rail movements that originate at BMC's. Please state what fraction of freight rail movements in BY98 originated at points other than BMC's.

RESPONSE

My understanding is that the overwhelming majority of rail movements originate at BMC's. In BY98, data needed to calculate the requested fraction were not captured. More recent data, for March 2000, indicate that 34 percent of freight rail movements do not originate at BMC's, but 78 percent of these movements are for empty equipment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC**

MPA/USPS-T1-13. Please state whether the current TRACS Instruction Manual differs from the document supplied as USPS LR-G-112 in Docket No. R94-1. If so, please provide a copy of the current version.

RESPONSE

The current TRACS data collection handbook is different from the document provided as LR-G-112. See USPS-LR-I-18 for the current version of the Handbook F-65. TRACS data collection instructions are contained in Chapters 2 and 5.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC

MPA/USPS-T1-14. Please confirm that TRACS does not sample exceptional, emergency or Christmas accounts in purchased highway transportation. If confirmed, please indicate why such accounts are not sampled. If not confirmed, please explain.

RESPONSE

Confirmed. Although I am uncertain why emergency and Christmas accounts are not sampled in the TRACS Highway Subsystem, it is my understanding that this has consistently been the practice since TRACS was first implemented. My understanding is that exceptional service trips are not included in the NASS database, and are not scheduled sufficiently in advance to allow for their inclusion in the TRACS sample.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC**

MPA/USPS-T1-16. Please provide the addresses of the facilities referred to in the Amtrak sampling frame as "DVD Facility" and "Phil-AMC".

RESPONSE

The DVD facility is the Dominick V. Daniels facility in Kearny, NJ. The Phil-AMC is the Philadelphia Air Mail Center.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA, INC
(REDIRECTED FROM WITNESS BRADLEY)

MPA/USPS-T18-9

Please refer to your Testimony at page 56. Please provide complete documentation showing the derivation of the figure 11.2 that appears on line 4. Please provide separate estimates for each highway contract type.

RESPONSE

See attached spreadsheet.

TRACS Highway Route-Trip-Stops

BY98	Account	FRAME DATA			
		Number Of Routes	Number Of Trips	Number Of Stops	Stop Days Stops per Day
	Inter-BMC	176	1,158	2,244	721,778 11.27
	Intra-BMC	351	4,379	7,205	2,117,976 16.58
	Inter-SCF	1,288	8,143	14,797	4,204,537 8.97
	Intra-SCF	7,926	52,060	127,217	32,701,242 11.33
	All Modes	9,741	65,740	151,463	39,745,533 11.21

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-18. The TRACS Commercial Air Subsystem (USPS-LR-I-49) and the TRACS Network Air Subsystem (USPS-LR-I-51) computer programs make use of a number of computer data files from the Air Contract Support System (ACSS). In the documentation of the Subsystem, these files are named LAUSTNT.PS476TCR.FYWK98ww, where ww represents two digits that indicate the week within the year. USPS-LR-I-49 and I-51, at 15. Provide a list of all of the variables contained in the entire set of files, beyond those listed in Appendix I of USPS-LR-I-49, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

I have not looked into other variables contained in these files, beyond those listed in Appendix of USPS-LR-I-49. These are the only variables used in 1998 and previous years. They are exactly the same ones we provided in the last rate case (R97-1).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-20. Provide the following information for the TRACS Commercial Air Subsystem (USPS-LR-I-49):

- (a) List the reasons why a trip inspection would not take place, or a scheduled inspection would be changed to another trip.
- (b) For each reason, list the number of trips affected, by quarter

RESPONSE.

(a) There are two possible reasons a trip inspection may not take place. A trip inspection may be canceled if the test facility is closed at the time of the scheduled trip. On rare occasions, field staff are unable to perform the trip inspection within the quarter. There are two possible scenarios under which a trip inspection might be changed to another trip. If there is no mail for the scheduled flight, the scheduled trip may be replaced by the next flight on the same day, with preference given to the same airline and same first-leg destination. If a data collector is unable to record the mail before the flight is dispatched, the trip inspection may be rescheduled to the same flight in the following week(s).

(b) I have not compiled the requested numbers. However, they can be derived using files contained in USPS-LR-I-214. The number of inspections canceled in quarter 'q' is the difference between the number of commercial air tests in the sample master file 'CommAir(LR214)\BY98\AIRBYq98\Z\CODE.txt' and the number of commercial air tests in the test master file 'CommAir(LR214)\BY98\AIRBYq98\Z\AIR1.txt'. For commercial air tests, the first non-numerical character in the TESTID is 'A', or 'B', or 'C'.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

To determine the number of replacement trips sampled, count the number of commercial air sample records with REPLACE='T'. To determine the number of rescheduled sample trips, count the records with RESCHED='T' in the test master file. The input file layout for the TEST Header file, on page 22 of USPS-LR-I-49, indicates the locations of the variables TESTID, REPLACE and RESCHED.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-21. Provide the following information for the TRACS Commercial Air Subsystem (USPS-LR-I-49):

- (a) List reasons why a trip, or record within a trip, would be dropped from the sample during the Edit process.**
- (b) For each reason, list the number of trips, and records within trips, dropped from the sample, by quarter.**

RESPONSE.

(a) A Commercial Air test record(s) may be dropped from the sample during the edit process for either of the following reasons: (1) there is no matching record in the administrative file (the ACSS file) for the test flight; or (2) there is no matching record in the ACSS file for the particular ACT Tag group recorded for the sampled item on the test flight.

(b) I have not compiled the requested numbers. However, they can be derived using files contained in USPS-LR-I-49, USPS-LR-I-208, and USPS-LR-I-214. To determine the number of trips affected, compare the original commercial air sample records and the final records in the Z-File, by running the edit programs in USPS-LR-I-49 and USPS-LR-I-208, following the order described in the Commercial Air Edit Flowchart found on page 27 of USPS-LR-I-49. The input files can be found in USPS-LR-I-214.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-22. The TRACS Network Air Subsystem (USPS-LR-I-51) computer programs make use of a computer data file from the National Air and Surface System (NASS). In the documentation of the Subsystem, this file is named LAXSTN,PS272D14(0). USPS-LR-I-51, at 14. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-51, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

I have not looked into other variables contained in this file, beyond those listed in Appendix of USPS-LR-I-51. These are the only variables used in 1998 and previous years. They are exactly the same ones we provided in the last rate case (R97-1).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-23. Provide the following information for the TRACS Network Air Subsystem (USPS-LR-I-51):

- (a) List the reasons why a trip inspection would not take place, or a scheduled inspection would be changed to another trip.**
- (b) For each reason, list the number of trips affected, by quarter.**

RESPONSE.

(a) There are two reasons a trip inspection might not take place. A trip inspection might be canceled if the network flight is not operating on the scheduled day. On rare occasions, field staff are unable to perform the trip inspection within the quarter. A scheduled inspection might be rescheduled to the same flight in the following week(s) if a data collector is unable to record the appropriate mail on the scheduled day.

(b) I have not compiled the requested numbers. However, they can be obtained by using files contained in USPS-LR-I-211 and USPS-LR-I-214. The number of inspections canceled in quarter 'q' is the difference between the number of network air tests in the sample master file 'CommAir(LR214)\BY98\AIRBYq98\Z\CODE.txt' and the number of network air tests in the test master file NetAir(LR211)\BY98\EAGBYq98\Z\AIR1.txt'. For network air tests, the first non-numerical character in the TESTID is 'F'. To determine the number of trips rescheduled, count the number of network air sample records with RESCHED='T' in the test master file. The input file layout for the TEST Header file can be found on page 21 of USPS-LR-I-51.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-24. Provide the following information for the TRACS Network Air Subsystem (USPS-LR-I-51):

- (a) List reasons why a trip, or record within a trip, would be dropped from the sample during the Edit process.**
- (b) For each reason, list the number of trips, and records within trips, dropped from the sample, by quarter.**

RESPONSE.

(a) A Network Air test record(s) may be dropped from the sample during the edit process for either of the following reasons: (1) there is no matching record in the ACSS file for the test flight; or (2) there is no matching record in the ACSS file for the particular ACT Tag group recorded for the sampled item on the test flight.

(b) I have not compiled the requested numbers. However, they can be derived using files contained in USPS-LR-I-51, USPS-LR-I-208 and USPS-LR-I-211. To determine the number of trips affected, compare the original Network Air sample records and the final records in the Z-File, by running the edit programs in USPS-LR-I-51 and USPS-LR-I-208, following the order described in the Network Air Edit Flowchart found on page 26 of USPS-LR-I-51. The input files can be found in USPS-LR-I-211.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-25. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of a computer data file from the National Air and Surface System (NASS). In the documentation of the Subsystem, this file is named LAXSTN.PS272D13(0). USPS-LR-I-52, at 26. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

There are two additional variables in this file that I subsequently used to provide auxiliary information in the data editing process, beyond those listed in Appendix of USPS-LR-I-52. The first one is a route indicator located at position 78. A value 'E' indicates an operating route (effective route) and a 'D' indicates a discontinued route. The second variable is a 10 digit date variable, from position 80 to 89.. It provides the date when the route became effective or discontinued. I have not looked into other variables, beyond the two described above and those listed in Appendix of USPS-LR-I-52. These are the only variables used in 1998. The variables listed in Appendix of USPS-LR-I-52 are the exactly same ones we provided in the last rate case (R97-1).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-26. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of computer data files from the Highway Payment Master File. In the documentation of the Subsystem, this file is named ACR.ST008TII. USPS-LR-I-52, at 26. Provide a list of all of the variables contained in the entire file, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

I have not looked into other variables contained in this file, beyond those listed in Appendix of USPS-LR-I-52. These are the only variables used in 1998 and previous years. They are exactly the same ones we provided in the last rate case (R97-1).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-27. The TRACS Highway Subsystem (USPS-LR-I-52) computer programs make use of two computer data files from the Highway Contract Support System (HCSS). In the documentation of the Subsystem, these files are named `userid.ACR95.COSTCFM.FLAT.TEXT` and `userid.ACR.INTRASCF.BOXDEL.TEXT`. USPS-LR-I-52, at 27. Provide a list of all of the variables contained in the entire set of files, beyond those listed in Appendix I of USPS-LR-I-52, and a description of each, for 1998 and any other time periods currently available.

RESPONSE.

I have not looked into other variables contained in this file, beyond those listed in Appendix of USPS-LR-I-52. These are the only variables used in 1998 and previous years. They are exactly the same ones we provided in the last rate case (R97-1).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-29. Provide the following information for the TRACS Highway Subsystem (USPS-LR-I-52):

- (a) List the reasons why a trip inspection would not take place, or a scheduled inspection would be changed to another trip.
- (b) For each reason, list the number of trips affected, by quarter.

RESPONSE.

(a) There are two reasons a trip inspection might not take place. A trip inspection might be canceled if the test facility is closed. On rare occasions, field staff are unable to perform the trip inspection within the quarter. There are two possible scenarios under which a trip inspection might be changed to another trip. A scheduled inspection might be changed to (replaced by) another trip that has the same contract type on the same day if the scheduled trip no longer exists; or it might be rescheduled to the same trip in the following week(s) if a data collector is unable to record the appropriate data.

(b) I have not compiled the requested numbers. However, they can be derived using files contained in USPS-LR-I-212. The number of inspections not conducted during quarter 'q' is the difference between the number of records in the sample master file 'ALB.HQ210D01.FY98.PQq' and the number of records in the test master file 'TRACSSMN.HWY1.CODES.PQq98.TEXT'. To determine the number of replacement trips sampled, count the records with REPLACE='T' in the test master file. To determine the number of rescheduled trips sampled, count the records with RESCHED='T' in the same file.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-30. Provide the following information for the TRACS Highway Subsystem (USPS-LR-I-52):

- (a) List reasons why a trip, or record within a trip, would be dropped from the sample during the Edit process**
- (b) For each reason, list the number of trips, and records within trips, dropped from the sample, by quarter.**

RESPONSE.

(a). A trip, or record within a trip could be dropped for two reasons as follows:

- (1) if there is no truck utilization data and no mail piece data for the entire test;**
- or, (2) the record contains inconsistent data.**

(b) I have not compiled the requested numbers. However, they can be derived using the data editing program 'FORMS' provided in USPS-LR-I-208 and USPS-LR-I-52. The input files required to execute the program are contained in USPS-LR-I-212. Data sets 'ADDUTIL4' and 'DELETES' in 'FORMS' contain the records deleted due to the first and second reason, respectively.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-34. For the TRACS Highway Subsystem (USPS-LR-I-52) explain the following details of the data collection process:

- (a) How does the process ensure that expedited mail is retained for sampling?
- (b) Do containers contain markings, labels, or other indications indicating whether they contain expedited or non-expedited mail?
- (c) Given that a TRACS test can take considerable time, what steps are taken to avoid delaying the movement of time critical products?
- (d) Have any audits been conducted to determine whether mail movement is evading the TRACS inspection procedure? If so, provide copies of the management reports describing the outcome of such audits.

RESPONSE.

I assume that "expedited mail" in this question refers to Express Mail.

- a) Data collectors are instructed to sample all the non-containerized Express Mail items. For Express Mail items in sampled containers, only one Express Mail item will be sampled.
- b) It is my understanding that many containers with Express Mail items in them are labeled to indicate that they contain time critical products. Furthermore, the Express Mail sacks inside the container are typically easy to identify.
- c) It is also my understanding that data collectors work with operation's personnel to prioritize the sampling and recording of mail to alleviate delays of time critical products.
- d) Redirected to the Postal Service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T1-35. The following questions relate to the TRACS Highway Subsystem, library reference USPS-LR-I-52.

- (a) If mail is destined for co-located facilities, is it delivered to one dock location, or does each facility receive its mail at a separate dock?
- (b) In cases where mail is delivered to separate docks at co-located facilities, does the TRACS sample selection process differentiate between the facilities, and does the inspection schedule indicate the dock where the inspection is to take place?
- (c) In cases where mail is delivered to separate docks at co-located facilities and the TRACS data collection schedule does not indicate the dock at which mail is to be inspected, is mail inspected at a randomly chosen dock? If not, what determines which dock will be sampled?
- (d) In cases where mail is delivered to separate docks at co-located facilities, what information is recorded about the trip segment that corresponds to the movement between docks? What mileage is recorded as the distance?
- (e) In cases where mail is delivered to one dock for co-located facilities, does the TRACS sample selection process differentiate between the facilities?
- (f) In cases where mail is delivered to one dock for co-located facilities, is all the unloaded mail treated as one set by the TRACS data collector, or is the mail considered separately according to which co-located facility is the destination?
- (g) What fraction of facilities are co-located, by facility type?

RESPONSE.

- (a) It depends on the circumstances. My understanding is that, for co-located facilities in which both are served by highway contract routes (separate facility codes), each facility receives its mail at its own docks on separate platforms. For co-located facilities in which only one facility is served by highway contract routes, mail will be delivered to the dock of that facility.
- (b) For co-located facilities, both of which are served by highway contract routes, the TRACS sample selection indicates the facility at which the vehicle is scheduled to arrive. The inspection schedule does not indicate the specific dock at which the vehicle will be unloaded – it specifies the facility. The data collector is instructed to consult with the dock

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- supervisor, transportation analyst, dock expeditor or vehicle control officer to determine the actual dock number at which the vehicle will arrive.
- (c) Mail is not sampled at a randomly chosen dock. It is sampled at one of the docks of the facility at which it arrives. The data collector consults with the dock supervisor, transportation analyst, dock expeditor or vehicle control officer to determine the actual dock number.
- (d) TRACS data collectors do not record mileage. It is my understanding that vehicles typically deliver mail to only one of the facilities on a trip. However, if mail is scheduled to be delivered to both facilities on one trip, this would be reflected on the trip schedule as two different stops at two different facilities, and the mail sampled would only include that unloaded at the sampled facility. Mileage is computed from the facility at which mail was loaded onto the vehicle to the facility at which the mail was unloaded from the vehicle. Hypothetically, if facilities A and B are co-located, and mail is loaded onto the vehicle at facility A and unloaded at facility B, the mileage calculated for that mail would be zero, though the possibility of this hypothetical situation seems remote.
- (e) It is my understanding that if mail for co-located facilities is delivered to only one dock, then only one of these facilities is served by highway contract routes, and that is the one that will be included in the TRACS sample selection process.
- (f) All the unloaded mail is treated as one set by the TRACS data collector.

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- (g) Based on extensive queries with operations personnel and field data collection staff, the best indication I have is that 3.4% of plants, BMCs, HASPs and ISCs are co-located.

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UPS/USPS-T1-36. The following questions relate to the sample design process for the TRACS Highway Subsystem (USPS-LR-I-52).

(a) For the first quarter of FYI 998, and for the processing done at lines 423-485 of the program Hwy3, confirm separately the following (in each case, if you do not confirm, explain why):

- (i) For the Intra-SCF data where FACCAT=2, 8 observations were selected.
- (ii) For the Intra-SCF data where FACCAT=2, the universe from which observations could be drawn consisted of 119,560 observations, so the percentage of the universe selected was 0.0067%.
- (iii) For the Intra-SCF data where FACCAT=5, 40 observations were selected.
- (iv) For the Intra-SCF data where FACCAT=5, the universe from which observations could be drawn consisted of 127,163 observations, so the percentage of the universe selected was 0.0315%.
- (v) For the Intra-SCF data overall, 404 observations were selected.
- (vi) For the Intra-SCF data overall, the universe from which observations could be drawn consisted of 569,156 observations, so the percentage of the universe selected was 0.0710%.
- (vii) The sampling rate for the Intra-SCF data where FACCAT=2 is less than 1/10th of the sampling rate for the Intra-SCF data as a whole, and the sampling rate for the Intra-SCF data where FACCAT=5 is less than 1/2 the rate for the Intra-SCF data as a whole.

(b) Explain why the relative proportions of the sampling rates in (a) (i) through (vii) are appropriate for proper sampling.

(c) For the second quarter of FY1998, for the processing done at lines 424-486 of the program Hwy3, confirm separately the following (in each case, if you do not confirm, explain why):

- (i) For the Intra-SCF data where FACCAT=2, 8 observations were selected.
- (ii) For the Intra-SCF data where FACCAT=2, the universe from which observations could be drawn consisted of 114,364 observations, so the percentage of the universe selected was 0.0070%.
- (iii) For the Intra-SCF data where FACCAT=5, 40 observations were selected.
- (iv) For the Intra-SCF data where FACCAT=5, the universe from which observations could be drawn consisted of 119,445 observations, so the percent of the universe selected was 0.0335%.
- (v) For the Intra-SCF data overall, 404 observations were selected.
- (vi) For the Intra-SCF data overall, the universe from which observations could be drawn consisted of 541,571 observations, so the percentage of the universe selected was 0.0746%.
- (vii) The sampling rate for the Intra-SCF data where FACCAT=2 is less than 1/10th of the sampling rate for the Intra-SCF data as a whole, and the sampling rate for the Intra-SCF data where FACCAT=5 is less than 1/2 the rate for the Intra-SCF data as a whole.

(d) Explain why the relative proportions of the sampling rates in (c)(i) through (vii) are appropriate for proper sampling.

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(e) Provide (i) the sampling rates by stratum for the third and fourth quarters of FY1998 and (ii) the source of this information.

RESPONSE.

a) Confirmed for subparts (i), (ii), (iii), (iv), (v), (vi), and (vii).

b) The sampling rates are the same as were used in BY96. Different sample allocations can affect the precision or coefficients of variation (CV) of the estimates. This is referred to as the efficiency of the allocation. The most efficient allocation has the lowest CV for a fixed cost. However, other factors may also be taken into consideration in determining an appropriate sample allocation, including the availability of data collection resources. I have not evaluated the efficiency of these sampling rates. However, one factor that was taken into consideration in the allocation is the amount of mail available for sampling when a test is scheduled. The amount of mail unloaded varies substantially from facility to facility depending on the type of facility. On a typical Intra-SCF route, either inbound or outbound, much more mail is unloaded at the BMC or the SCF than at other facilities on the route. It is not rare that a truck only stops at the facility to pick up mail and sends it to the destination BMC or SCF. Consequently, chances for getting a zero volume test at these facilities are much greater than those at the destination BMC or SCF. The stratum that consists of these facilities is considered an expensive stratum for TRACS sampling, in the sense that the cost per useable test in that stratum can be five to ten times higher than that in other strata. Fewer tests are allocated for Inbound Other (FACCAT=2) and Outbound Other pm (FACCAT=5) for this

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reason. What we need to keep in mind, though, is that the allocation of tests between strata only affects the precision (variance or coefficients of variation) of the estimates, and does not affect the accuracy (bias) of the estimates. Our expansion process reflects the varying selection probabilities between strata by using the reciprocal of the sampling rates as the expansion factor. The estimator used, as documented in USPS-LR-I-52, section 7, is a typical Horvitz -Thompson type of estimator. It produces unbiased estimates for the cubic-foot-mile numbers used in the distribution key calculation.

c) Confirmed for parts (i), (ii), (iii), (iv), (v), (vi), and (vii).

d) See response to part (b) above.

e) The requested sampling rates are shown in the following table. These sampling rates are developed based on the samples selected and the weekly frame units in program HWY2. Both numbers are contained in LR-I-207. PQ3 numbers can be found on page 0111, volume 5, LR-I-207. PQ4 numbers can be found on page 2448, volume 7 of the same library reference.

Sampling fraction	PQ3	PQ4
Inbound BMC or SCF	0.1700%	0.2233%
Inbound Other	0.0234%	0.0316%
Outbound BMC or SCF	2.1169%	2.6847%
Outbound Other am	0.0547%	0.0718%
Outbound Other pm	0.0325%	0.0434%

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Total Intra-SCF	0.0716%	0.0949%
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UPS/USPS-T1-37. The following questions relate to the TRACS Highway Subsystem (USPS-LR-I-52). Table 2 on page 8 of library reference USPS-LR-I-52 shows that, of the Intra-SCF portion of the sample, 40% is to represent Inbound-BMC or SCF movements, and 7% is to represent Inbound-Other movements.

- (a) Confirm that the above interpretation of Table 2 is correct. If not confirmed, explain.
- (b) Confirm that, for the first quarter of FY1998, lines 142-153 of the program Hwy3 cause the program to select a sample of Intra-SCF movements of which 45% represents Inbound-BMC or SCF movements, and 2% of the sample is to represent Inbound-Other movements. If not confirmed, explain and provide the correct information.
- (c) Explain why the proportion of the first quarter FY1998 sample representing each of those two strata does not match the proportion described by the written documentation.
- (d) Confirm that, for the second quarter of FY1998, lines 143-154 of the program Hwy3 cause the program to select a sample of Intra-SCF movements of which 45% represents Inbound-BMC or SCF movements, and 2% of the sample is to represent Inbound-Other movements. If not confirmed, explain and provide the correct information.
- (e) Explain why the proportion of the second quarter FY1998 sample representing each of those two strata does not match the proportion described by the written documentation.
- (f) Confirm that, for the third and fourth quarters of 1998, the sampled proportions match those described in Table 2 of library reference USPS-LR-I-52. If not confirmed, explain.
- (g) If (b), (d), and (f) are confirmed, explain why the proportions sampled vary between the first two quarters and the last two quarters of the sampled year.
- (h) If any of (b), (d), or (f) are not confirmed:
- (i) Confirm that the proportions sampled did not vary throughout the year and explain why the SAS programs confuse one into believing otherwise, or
- (ii) Explain why the proportions sampled vary between the first two quarters and the last two quarters of the sampled year.

RESPONSE.

- (a) Confirmed for PQ3 and PQ4.
- (b) Confirmed.
- (c) A situation was encountered where all the tests taken from the 2nd stratum of the Intra-SCF (Inbound-Other) were zero volume tests. To help avoid this in the

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future, the sample size in that stratum was increased from 2% to 7% of the total Intra-SCF tests. The increase in that stratum was offset by a corresponding decrease in the number of tests in the 1st stratum (Inbound BMC/SCF). This adjustment was made starting PQ3, BY98. The written documentation reflected the numbers used in PQ4, BY98.

(d) Confirmed.

(e) See response to (c).

(f) Confirmed.

(g) See response to (c).

(h) N/A.

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UPS/USPS-T1-38. The following questions relate to the sample design process for the TRACS Highway Subsystem (USPS-LR-I-52) for the first quarter of FY1998.

- (a) Confirm that 56,642 out of 189,172 NASS records are dropped from the sample design process (in the program Hwy1, lines 311-342, as numbered in the SAS log file) because they could not be matched with route records from the Highway Pay Master File or the Highway Contract Support System. If not confirmed, explain and provide the correct numbers.
- (b) Why are these records dropped? If multiple reasons are given, state the number or proportion of records dropped for each reason.
- (c) State the proportion of records dropped because of a failure to match with the Highway Pay Master File, and the proportion dropped because of a failure to match with the Highway Contract Support System.

RESPONSE.

(a) Confirmed.

(b) These records are dropped because they do not match the routes in the Highway Pay Master data set ('account'). At that juncture in the processing, this particular data set only contains the routes that TRACS highway should be sampling, i.e. regular contracts that are not for box routes. Two major steps are involved in creating this data set. The first step is to extract the regular routes from the Highway Pay Master File. The second step is to eliminate the box routes from the data set resulting from the first step by merging it with the Highway Contract Support System (HCSS) extract file. The HCSS file is not directly matched with the NASS file; it's sole purpose is to provide a list of box routes for elimination from the Highway Pay Master File.

(c) The proportion of records dropped because of a failure to match with the Highway Pay Master File data set is 30 percent. The proportion dropped because of a failure to match with the HCSS file is not applicable.

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UPS/USPS-T1-39. The following questions relate to the sample design process for the TRACS Highway Subsystem (USPS-LR-I-52) for the second quarter of FY1998.

- (a) Confirm that 59,722 out of 194,189 NASS records are dropped from the sample design process (in the program Hwy1, lines 311-342, as numbered in the SAS log file) because they could not be matched with route records from the Highway Pay Master File or the Highway Contract Support System. If not confirmed, explain and provide the correct numbers.
- (b) Why are these records dropped? If multiple reasons are given, state the number or proportion of records dropped for each reason.
- (c) State the proportion of records dropped because of a failure to match with the Highway Pay Master File, and the proportion dropped because of a failure to match with the Highway Contract Support System.

RESPONSE.

(a) Confirmed.

(b) See response to UPS/USPS-T1-38 (b).

(c) The proportion of records dropped because of a failure to match with the Highway Pay Master File data set is 31 percent. The proportion dropped because of a failure to match with the HCSS file is not applicable.

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UPS/USPS-T1-40. The following questions relate to the sample design process for the TRACS Highway Subsystem (USPS-LR-I-52) for the third quarter of FY1998.

- (a) Confirm that 59,582 out of 197,341 NASS records are dropped from the sample design process (in the program Hwy1, lines 311-342, as numbered in the SAS log file) because they could not be matched with route records from the Highway Pay Master File or the Highway Contract Support System. If not confirmed, explain and provide the correct numbers.
- (b) Why are these records dropped? If multiple reasons are given, state the number or proportion of records dropped for each reason.
- (c) State the proportion of records dropped because of a failure to match with the Highway Pay Master File, and the proportion dropped because of a failure to match with the Highway Contract Support System.

RESPONSE.

(a) Confirmed.

((b) See response to UPS/USPS-T1-38 (b).

(c) The proportion of records dropped because of a failure to match with the Highway Pay Master File data set is 30 percent. The proportion dropped because of a failure to match with the HCSS file is not applicable.

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UPS/USPS-T1-41. The following questions relate to the sample design process for the TRACS Highway Subsystem (USPS-LR-I-52) for the fourth quarter of FY1998.

- (a) Confirm that 62,825 out of 202,584 NASS records are dropped from the sample design process (in the program Hwy1, lines 311-342, as numbered in the SAS log file) because they could not be matched with route records from the Highway Pay Master File or the Highway Contract Support System. If not confirmed, explain and provide the correct numbers.
- (b) Why are these records dropped? If multiple reasons are given, state the number or proportion of records dropped for each reason.
- (c) State the proportion of records dropped because of a failure to match with the Highway Pay Master File, and the proportion dropped because of a failure to match with the Highway Contract Support System.
- (d) Justify the validity of the sampling process in light of the loss of 30% of the records in the database of highway movements.

RESPONSE.

- (a) Confirmed.
- (b) See response to UPS/USPS-T1-38 (b).
- (c) The proportion of records dropped because of a failure to match with the Highway Pay Master File data set is 31 percent. The proportion dropped because of a failure to match with the HCSS file is not applicable.
- (d) We only sample regular non-box routes, but NASS includes more than that. Although I have not reviewed why each record is dropped, the dropping rate is fairly consistent across time. We do have a process to check various non-matching rates every time the sample selection programs are run.

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UPS/USPS-TI-42. The following questions relate to the data files included with the TRACS Highway Subsystem (USPS-LR-I-52). Refer to Appendix I of library reference USPS-LR-I-52, which describes the variables in the Final Analysis File (Z-File).

(a) For the Containers component, Appendix I describes the CONTNO variable as being the container number. Confirm that this variable indicates the sequence in which containers are inspected as they are unloaded and that, if the value is three, the observation represents mail that was contained in the third container unloaded and inspected. If not confirmed, explain what the values in CONTNO represent.

(b) For the Loose Items component, Appendix I describes the ITEMNO variable as being the item number. Confirm that this variable indicates the sequence in which loose items are inspected as they are unloaded and that, if the value is three, the observation represents mail that was contained in the third loose item unloaded and inspected. If not confirmed, explain what the values in ITEMNO represent.

(c) For the Pallets component, Appendix I describes the PALLETNO variable as being the item number. Confirm that this variable indicates the sequence in which pallets are inspected as they are unloaded and that, if the value is three, the observation represents mail that was contained in the third pallet unloaded and inspected. If not confirmed, explain what the values in PALLETNO represent.

RESPONSE.

(a) Confirmed with clarification. The variable CONTNO indicates the sequence in which the container is recorded. It may be different from the order in which it was unloaded or selected.

(b) Confirmed with clarification. The variable ITEMNO indicates the sequence in which the item is recorded. It may be different from the order in which it was unloaded or selected.

(c) Confirmed with clarification. The variable PALLETNO indicates the sequence in which the pallet is recorded. It may be different from the order in which it was

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unloaded or selected. Furthermore, this variable cannot have a value of three; at most, two pallets are recorded in a test.

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UPS/USPS-TI-43. The following questions relate to the TRACS Highway Subsystem (USPS-LR-I-52).

(a) Describe the updating process for the NASS data that serves as an input to the sample selection part of the procedure. How current is the information in the system at the time the TRACS sample selection process begins? How often is the data updated?

(b) Describe the updating process for the Highway Pay Master File data that serves as an input to the sample selection part of the procedure. How current is the information in the system at the time the TRACS sample selection process begins? How often is the data updated?

(c) Describe the updating process for the Highway Contract Support System data that serves as an input to the sample selection part of the procedure. How current is the information in the system at the time the TRACS sample selection process begins? How often is the data updated?

(d) Describe how far in advance of the beginning of a quarter the TRACS sample is selected. What is the age of the data files used at that time -- are they current as of that day, or were they set aside at an earlier time?

RESPONSE.

(a) Redirected to the Postal Service.

(b) Redirected to the Postal Service.

(c) TRACS used two HCSS data sets extracted from the Highway Contract Support System (HCSS). They were updated intermittently. One was created prior to PQ1, FY97 (August 1996). Although there is some evidence indicating that the other one was created in August 1995, that evidence is not conclusive. It is possible that it was updated at the same time that the first data set was created, in the process of updating inputs for the PQ1, FY97 sample selection. They were subsequently updated and consolidated into one HCSS input file for the PQ1, FY99 sample selection process. As I stated in my response to UPS/USPS-T1-38 (a) and (b), the sole use of the HCSS file in the sample

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selection process is to provide a list of box routes for elimination from the Highway Pay Master File.

(d) The TRACS sample selection process is usually initiated five weeks prior to the beginning of a postal quarter. See responses to (a), (b), and (c) of this question for the age of the input files.

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UPS/USPS-T1-47. Does the Highway Pay Master File data used in the TRACS Highway Subsystem (USPS-LR-I-52) include data on Emergency and Exceptional contracts?

RESPONSE.

It includes data on Emergency contracts but not the Exceptional Service.

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UPS/USPS-T1-48. Does the Highway Contract Support System data used in the TRACS Highway Subsystem (USPS-LR-I-52) include data on Emergency and Exceptional contracts?

RESPONSE.

It includes data on Emergency contracts, but not on Exceptional Service

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UPS/USPS-T1-49. Does the National Air and Surface System data used in the TRACS Highway Subsystem (USPS-LR-I-52) include data on Emergency and Exceptional contracts?

RESPONSE.

It includes data on Emergency contracts, but not on Exceptional Service.

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UPS/USPS-T1-50. The following questions deal with the movement of Priority Mail by highway transportation.

(a) In what types of containers, pallets, or loose items is Priority Mail handled when it moves by highway? Be specific as to the type of container, type of sack, etc. What is the proportion of use across the container types, and what measure is used to answer this question? (For example, "Priority mail moves in nylon sacks 25% of the time, as measured by cubic-foot miles.")

(b) How does a worker unloading a truck determine the priority for unloading?

(c) Are the items on a truck identified as to approximate mail composition?

(ii) Is time-sensitive mail identifiable as such by a worker?

(iii) Is it Postal Service policy or the typical procedure that time sensitive mail be unloaded from a truck first, to the extent possible, by the arrangement of mail within the truck? If not, what is the policy or typical procedure for unloading time sensitive mail?

(iv) Is it Postal Service policy or the typical procedure that low priority containers/pallets/ sacks are set aside so that higher priority mail may be processed first?

(v) Is it Postal Service policy or the typical procedure that high priority mail is expedited in moving from the dock to the next stage of processing? If not, what is the policy or typical procedure for moving high priority mail from the dock to the next stage of processing?

(vi) What categories of mail are considered to be high priority mail or time-sensitive mail for the purposes of loading and unloading trucks and for dock handling?

(vii) Describe any other policies or procedures that determine the sequence in which different classes or subclasses of mail or individual items or groups of items of mail are processed as they are removed from a truck, after removal, prior to loading, and during the loading process.

RESPONSE.

(a) My understanding is that Priority Mail generally moves in wheeled containers, sacks, and as loose items. Occasionally, it may be found on pallets and in flat tubs. The requested proportion has not been calculated. However, data have been provided in this proceeding which would allow an informed analyst to calculate this proportion, after making appropriate assumptions regarding the measure to be used. It can be calculated using data in the ZFILE provided in USPS-LR-I-52. The container and item information is kept in

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variables 'SETASIDE' and 'CTYPE' for containerized items, respectively. The item information is kept in 'NCTYPE' for non-containerized items. Refer to Table 8, USPS-LR-52 for the exact definition of variables in the ZFILE.

(b) and (c) Redirected to the Postal Service.

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UPS/USPS-T1-64. Refer to page 23, Table 8, of your testimony. Confirm that in BY1998 Express Mail accounted for 24 percent of non-premium Eagle Network costs.

RESPONSE.

Confirmed.

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UPS/USPS-T1-65. Refer to your answer to MPA/USPS-T18-9, in which you provided a table which includes columns labeled Number of Stops, Stop Days, and Stops per Day.

(a) Describe the source of the data in these columns and describe how each variable is related to the others.

(b) Is there a way to calculate Stops per Day based on the Number of Stops and the Stop Days? If so, how?

RESPONSE.

(a) and (b) The source of the data in these columns is the BY98 highway frame. The 'Number of Routes', 'Number of Trips', and 'Number of Stops' provide the total numbers for contract routes, trips, and stops included in the BY98 highway frame, correspondingly. The 'Stop Day' is developed by taking into account the days in a year for which the trip is scheduled to run. The last column 'Stops per Day' is an average number of stops that a route is scheduled to make per day. It is calculated by dividing the 'Stop Day' by the 'Number of Routes' and by 364, the number of days in a Postal Fiscal year.

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UPS/USPS-T1-71. Refer to your response to UPS/USPS-T1-47 regarding data on Emergency and Exceptional contracts. Does the presence of Emergency contracts in the Highway Pay Master File mean that movements operated under emergency contracts are part of the TRACS Highway Subsystem sample? If so, provide the fraction of the sample that represents Emergency contracts.

RESPONSE.

No. Only the regular contracts in the 'Highway Pay Master File' are included in the Highway frame.

1 CHAIRMAN GLEIMAN: Is there any additional
2 Designated Written Cross? Mr. McKeever?

3 MR. McKEEVER: Thank you again, Mr. Chairman.

4 CROSS EXAMINATION

5 BY MR. McKEEVER:

6 Q Ms. Xie, I have just handed you a copy of your
7 response to Interrogatory UPS/USPS-T-1-65.

8 If that question were asked of you today, would
9 your answer be the same?

10 A Yes, as a matter of fact, this is already
11 designated.

12 Q It was not on the list that I had received.

13 A It's on the list of --

14 CHAIRMAN GLEIMAN: If you could give me the number
15 again?

16 THE WITNESS: MPA.

17 MR. McKEEVER: T-1-65. Well, then I apologize,
18 Mr. Chairman, and there is no need to enter it.

19 CHAIRMAN GLEIMAN: Mr. Wells?

20 MR. WELLS: Mr. Chairman, the testimony of this
21 Witness, also designated Associated Library References 52,
22 63, and 64; are those library references not also to be
23 sponsored by this witness?

24 CHAIRMAN GLEIMAN: Counsel?

25 MR. HOLLIES: Those are Category I Library

1 References.

2 CHAIRMAN GLEIMAN: As such, we wouldn't be
3 entering them into evidence in this context.

4 MR. WELLS: Thank you, Mr. Chairman.

5 CHAIRMAN GLEIMAN: Thank you, Mr. Wells. We've
6 made things clearer but more complicated. I guess we're all
7 going through a learning process in this proceeding with the
8 Library references.

9 Is there any additional designated written cross
10 for the witness?

11 [No response.]

12 CHAIRMAN GLEIMAN: If not, that brings us to oral
13 cross. Three parties have requested oral cross examination
14 of the witness, the Coalition of Religious Press
15 Associations, Florida Gift Fruit Shippers Association,
16 United Parcel Service.

17 Is there any other party that wishes to cross the
18 witness?

19 [No response.]

20 CHAIRMAN GLEIMAN: If not, then Mr. Feldman, you
21 may begin when you're ready.

22 MR. FELDMAN: Thank you, Mr. Chairman.

23 CROSS EXAMINATION

24 BY MR. FELDMAN:

25 Q Ms. Xie, I have a few questions that will concern

1 your written direct testimony, and then after that, we'll
2 have some further line of questioning.

3 But if you would refer to your own direct
4 testimony, USPS-T-1, on page 1, you, as part of your
5 biographical information, state that you served as Project
6 Manager for the Transportation Cost System since 1997.

7 Is that the TRACS project, that function for which
8 you were the manager?

9 A Yes, it is.

10 Q That position did not entail the actual
11 administration of any transportation contracts or the
12 purchase of any transportation; did it?

13 A No.

14 Q So your responsibility, if I may put it that way,
15 is overseeing the sampling system that the Postal Service
16 uses to ascertain the distribution of costs to the various
17 subclasses for purchased transportation; is that a fair
18 description of what you do?

19 A My function is to oversee TRACS as a sampling
20 system.

21 Q And is it the function of TRACS to ensure that
22 every subclass which makes use of the purchased
23 transportation of the Postal Service, is assigned or, I
24 should say, attributed its attributable costs?

25 A The function of TRACS or you may say the purpose

1 of TRACS is to develop a distribution key that can be used
2 to allocate costs in the subclasses of mail on
3 transportation network.

4 Q This does not include or does it include vehicles
5 which are a part of the Postal Vehicle Service?

6 A No, it doesn't.

7 Q So just that we are all talking on the same level,
8 this is all about purchased transportation, correct?

9 A Yes. It is purchased transportation cost but I am
10 not sure which costs or which TRACS system you are talking
11 about. See, we have five sub-systems. We have highway,
12 rail, Amtrak, then commercial air, network air. Each of the
13 systems has their universe of the study. Is that what you
14 are referred to or you are talking more a cost allocation
15 part? Because my responsibility is in TRACS sampling
16 system. I really don't do cost distribution.

17 Q Based on your prior answer, you do develop the
18 distribution key for -- is the distribution key developed
19 for -- it is in your testimony at page 3 -- for the four
20 types of purchased highway contracts? We are just talking
21 about highway here.

22 A Okay.

23 Q But in other words you developed distribution keys
24 for each purchased transportation account, is that an
25 accurate statement?

1 A No, not for each account, for each of the four
2 contract types.

3 Q Do you develop distribution keys for rail, air
4 service and other modes of transportation other than
5 highway?

6 A For rail we develop a distribution key for the
7 intra BMC freight rail account.

8 Q So you do develop distribution keys for each mode
9 of transportation?

10 A I am not sure when you talk about each mode of
11 transportation. I can answer you one by one.

12 For rail, as I answered before. You want me to
13 answer you, talk about commercial air?

14 For commercial air we produce distribution keys
15 for commercial air transportation costs. Now what is your
16 next one? ^{Network air} ~~Networking?~~

17 Q Well, we don't have to go through each mode. I
18 think we can proceed by asking you if I use the phrase
19 "distribution key" and you have used the term "distribution
20 key" in your testimony, how do you define distribution key?

21 A You are not talking about any interrogatory
22 response that I answered? You are just talking about in
23 general term?

24 Q No, as used in your direct testimony.

25 A Oh. Distribution key in my view is the proportion

classes and subclasses
~~costs in a subclass~~

1 of the cost that should be allocated to ~~costs in a subclass~~
2 of mail.

3 Q Is the distribution -- let me rephrase that,
4 please.

5 Is the proportion allocated to subclasses or is it
6 to classes of mail?

7 A To classes and subclasses of mail. Some class you
8 do not have subclass but some class you do have subclasses.

9 Q Thank you. I think that's a helpful answer, so
10 that where a class does have subclasses at that point TRACS
11 calculates a distribution key for that subclass to allocate
12 transportation costs to that subclass, correct?

13 A TRACS produces a distribution key for 19 classes
14 or subclasses of mail.

15 Q Are there any subclasses for which TRACS is not
16 used to allocate purchased transportation costs?

17 A I don't actually do the calculation. I provide a
18 distribution key but as far as I know those are the 19 class
19 and subclass that I provide distribution key for.

20 Q Do you happen to recall in your duties since
21 August, 1997 if the list or quantity of subclasses and
22 classes to which you apply a distribution key was provided
23 to you by the Postal Service or by others in the
24 transportation office or did you assemble that information
25 yourself or have someone on your staff assemble that

1 information?

2 A Well, those classes and subclasses are exactly the
3 same as in R97.

4 Q Without getting into R97, how was the list
5 compiled? From what source?

6 A Oh, that I really don't know. When I started
7 working on TRACS ~~that is the list~~ ^{that was the list} and that ~~is~~ ^{was} still the list
8 that I generate a distribution key for.

9 Q I am trying to be very specific here and if, of
10 course as always on any question if you don't understand the
11 question, do not hesitate to inform me of that and we'll try
12 to make the question better.

13 A Okay.

14 Q But when you state that you developed the
15 distribution key, are you talking about you, yourself, Ms.
16 Xie, or are you talking about other people or other
17 employees at the Postal Service and you then review their
18 work, or do you actually yourself based on the TRACS data do
19 the calculation for the distribution key?

20 A Oh, I do it. I also have a couple people work
21 with me. We have a team.

22 Q Do the -- well, let me ask, about how many
23 employees, if you know, are assigned to TRACS sampling
24 across the country?

25 A You are talking about data collectors?

1 Q Yes, yes, yes. That is correct.

2 A Oh, I know we have about ¹⁰⁰⁰~~1004~~ data collectors, if
3 I recall -- don't quote me on that, I don't keep those
4 numbers --

5 Q If I may interrupt you, all of this will go into
6 the transcript, so if I may, you would agree that the number
7 that you just stated is approximate?

8 A Okay. It's approximate but I haven't finished my
9 question yet.

10 Q I understand.

11 A Your answer. I haven't finished my answer yet.

12 Q I apologize for interrupting but there may have
13 been a misunderstanding --

14 A Okay.

15 Q -- and so forth. Thank you.

16 A You know, but we do not have data collectors that
17 only work for TRACS, okay? They work on other systems as
18 well, so therefore I don't know what you try to get the
19 number for.

20 Total number of data collectors or TRACS data
21 collectors?

22 Q Based on your prior answer it appears that there
23 are approximately 1000 data collectors who assemble data for
24 TRACS, is that right?

25 A No. No, I am talking about in Postal Service,

1 it's the data collector. In my recollection that is about
2 the number we have for full-time and then we have some
3 part-time data collectors and we also use some temporary
4 helps. I don't have the exact number for you, but my point
5 is we do not have TRACS data collectors per se.

6 See, they do all different kind of sampling. I'm
7 sorry -- they do -- they collect data for various sampling
8 systems.

9 Q Could you give an example or two of what other
10 sampling duties these individuals might have?

11 A They collect data for RPW system. They collect
12 data for ODIS, for IOCS, maybe even carrier cost.

13 Q In order to collect data for TRACS a data sampler
14 has to be at a postal facility where mail is being unloaded,
15 is that correct?

16 A Are you talking about the highway tests?

17 Q We can use -- yes, let's talk about highway.

18 A Right.

19 Q So if this individual is doing other types of
20 sampling like IOCS or any other sampling function they have
21 to -- are they informed that they must be at a certain
22 postal facility at a certain time of the day so as to sample
23 an incoming truck?

24 A They have to be there at least a half an hour
25 before the truck's scheduled arriving time.

1 Q But is it possible that prior to traveling to the
2 Postal facility that they are in another office doing
3 something else the previous day, other than TRACS?

4 A It could be possible.

5 Q Is it common?

6 A Depending on when the TRACS test is scheduled, if
7 the TRACS is scheduled in the early morning, I think they
8 will just go to that facility, directly to do the TRACS
9 test.

10 Q Do the TRACS data samplers move from one facility
11 to another within the course of a work day so that they do
12 more than one TRACS sampling in one day?

13 A First of all, there is no TRACS data collectors,
14 okay. Now, data collector, a data collector can do more
15 than one TRACS test, or one TRACS test or then the other
16 test, that is possible.

17 Q Do they stay at the same facility during the day
18 or do they go to other facilities as well?

19 A It depends.

20 Q Who makes the decision as to where they go?

21 A Their manager, the manager of stat program.

22 Q I'm sorry, Ms. Xie, could you kindly repeat that?
23 I didn't hear it. The manager --

24 A Okay. The manager of statistical program, it is
25 their manager.

1 Q Is that part of your office// or is that a
2 different office in the rates and pricing division of the
3 Postal Service?

4 A No, they are not headquarters employees, they are
5 field staff. They belong to the district.

6 Q Are you familiar with the training that these
7 individuals who do sample TRACS data receive?

8 A Yes.

9 Q Do you supervise that training?

10 A No.

11 Q Who does supervise that training?

12 A Their manager and their assistant. We have what
13 we call the ^{SPC} ~~stat~~, SPS ^{in Start Program.} ~~stat program~~. I will get you that
14 name.

15 THE REPORTER: SPS staff or --

16 THE WITNESS: SPS, that is the acronym for the
17 assistant of the statistical program manager.

18 BY MR. FELDMAN:

19 Q In other words, SPS is a person?

20 A Yeah, that is a job title.

21 Q Okay.

22 A Okay.

23 Q Do these SPS individuals receive the same
24 training? Is there a uniform training program for these SPS
25 individuals?

1 A I am not sure when you talk about uniform, what do
2 you mean?

3 Q I will try to clarify. Does every SPS data
4 collector receive the same training as all other SPS data
5 collectors?

6 A Well, SPS is not a data collector anymore. They
7 are EAS employee now. In terms of training, we provide them
8 handbooks and SP letters, text messages, all those tools for
9 them to use for their training purpose. They use the same
10 material.

11 Q Now, I think this is a new question, not a
12 repeated question, are the SPS individuals the individuals
13 who actually do TRACS sampling?

14 A No, they don't.

15 Q Do the people who do the TRACS sampling report to
16 the SPS individuals?

17 A They are union employee. The -- you mean the data
18 collectors?

19 Q Yes. Are the data collectors, do they report to
20 the SPS staff?

21 A Well, within this union concept, I am not sure
22 what or not report means, but their job is assigned by SPS
23 and manager of stat program.

24 Q Do the individuals who actually collect the data
25 for TRACS have training to perform their duties?

1 A Yes, they do.

2 Q Can you describe whether or not they use the same
3 written materials to accomplish their sampling duties?

4 A Yes.

5 Q Do they attend classes or have an opportunity to
6 ask questions where they may not be clear on what the
7 instructions are?

8 A Yes. Let me explain to you this a little more.
9 We have what we call the monitoring program where ⁱⁿ each
10 district ~~manager~~ and SPC is responsible to monitor each data
11 collector for whatever program they perform test on, twice a
12 year. Not only they have opportunities to ask a question,
13 to learn what they are supposed to, but they are also
14 monitored for what they are supposed to.

15 Q In other words, each data collector is monitored
16 twice a year?

17 A For the program they perform test on. If one data
18 collector performs TRACS test, but also performs IOCS test,
19 then they got two, that data collector will receive two
20 monitoring.

21 Q Is identification of subclass part of the TRACS
22 training program for the data collectors?

23 A Yes.

24 Q And how is that done?

25 A First ^{of all} ~~for~~ in our handbook we have this material

1 for them to get familiar^{with}~~ize~~ the class and subclass markings,
2 indicias, things needed for ^{identifying}~~identify~~ a mail piece. And, you
3 know, we also have what we call the test deck.

4 Q I'm sorry, Ms. Xie.

5 A A test, yes.

6 Q Could you repeat that phrase?

7 A Test deck, d-e-c-k.

8 Q Thank you.

9 A That is about 300 mail pieces that we think are
10 typical to be found when they perform their test, and some
11 of the mail piece may have some confusion markings^{and} indicias.
12 We develop that test deck using them as training material,
13 just for mail class, just for ^{identifying}~~identify~~ mail class and
14 subclass purpose.

15 Q Is there an examination or a test that is given to
16 each data collector to ensure that they understand the
17 subclass distinctions to which you just referred?

18 A That is one part of the monitoring test, and also
19 I understand our inspection service also audits TRACS tests.
20 That will be one of thing they are looking, they are looking
21 at when they audit TRACS test.

22 Q Has the inspection service produced any written
23 reports on the reliability or effectiveness of TRACS?

24 A Yes, actually, they did. I think I read a Postal
25 Service response to Interrogatory 31, UPS -- I'm sorry,

1 UPS-31, 32, 33, where we explain the various audits data
2 collector receives, and also we provide as Library Reference
3 the inspection service audit report. In FY '98, they
4 audited a couple of TRACS tests. Let me see. Yeah, all the
5 TRACS tests they audited reported with zero errors, which is
6 pretty good.

7 Q Errors measuring what?

8 A In that Library Reference, you can see things that
9 they look at it to identify -- I'm pretty much sure,
10 ~~identifying~~ ^{is} ~~identify~~ mail as one of the areas they're looking into.

11 Q By subclass?

12 A Class and subclass.

13 Q Did the General Accounting Office do a study of
14 TRACS?

15 A General Accounting Office?

16 Q GAO?

17 A GAO has one --

18 [Pause.]

19 My understanding is that the data quality study
20 conducted by ~~B.T.~~ ^{A.T.} Kearney was a program that cosponsored
21 between Postal Service and the GAO to evaluate the quality
22 of the major statistics systems and the Postal Service
23 ratemaking process that includes TRACS.

24 And that report is on the web page, on the PRC web
25 page.

1 Q And did the Kearney study find any flaws with
2 TRACS?

3 A They have pointed some area recommendation, per
4 se, for the programs. You can find that report, again, on
5 the web page.

6 Q Well, I'm asking you whether or not the Kearney
7 study found any flaws in TRACS?

8 [Pause.]

9 If you don't know, you can state you don't know.

10 A I don't recall the use that word you're using for.

11 Q How about the TRACS program could be improved?

12 A Well, you know, I don't remember every detail,
13 details of the report, but I remember they recommend we
14 evaluate TRACS design, and they recommend we evaluate the
15 NASS database which is the major feeder for our frame.

16 Q Any other suggestions, to your recollection, of
17 the Kearney study?

18 A That has been about a year ago. I don't recall
19 that detail level.

20 Q Since the Postal Service is basing its
21 distribution of purchased highway and air and rail
22 transportation costs, to a large degree on the TRACS system,
23 was any review made immediately before the filing of this
24 case to reconcile the recommendations of the Kearney report
25 with the methodologies that TRACS used for the purpose of

1 this case?

2 A That's a long question.

3 Q Well, I'll rephrase it.

4 Did the Kearney study have any effect on how TRACS
5 data collected and used in this case, was assembled or
6 implemented?

7 A I don't recall in my distribution key development
8 I had adopt any Kearney's recommendation.

9 Q Has the Kearney recommendations had any effect on
10 the way TRACS data collectors go about their business
11 currently?

12 [Pause.]

13 A Well, our data collectors training and monitoring
14 program were always being there, were there even before
15 Kearney's report. So I don't see -- you know, to answer
16 your question for specific point that a Kearney's report
17 point out that we try to address in data collection material
18 --

19 You talk about in data collection training
20 material, I don't recall that.

21 Q That's your answer? You don't recall?

22 A ~~Try~~ ^{I will try} to look through those SP letters that we send
23 out to all field data collectors as additional instructions
24 to refresh my memory, if you may.

25 [Pause.]

1 CHAIRMAN GLEIMAN: She's looking, okay. She
2 agreed to look through her papers. I was trying to figure
3 out where we were at this point.

4 [Pause.]

5 THE WITNESS: No.

6 BY MR. FELDMAN:

7 Q Moving on to a separate subject, when Witness
8 Bradley was here testifying on transportation, he indicated
9 that since R97-1, the accounts system used to segregate
10 costs of purchased transportation had changed.

11 I believe I'm accurately summarizing his statement
12 that the major change was that the SCF accounts, inter-SCF,
13 intra-SCF, were now being -- that data was now being divided
14 into different kinds of accounts, and he mentioned area
15 accounts, cluster accounts, and processing and distribution
16 center accounts.

17 Are you familiar with those accounts as they
18 currently exist?

19 A Not really. We only sample mail ^{on} highway, sample
20 some mail move on contract accounts, the account number
21 53124, 53609, 53614, and 53618 for inter-SCF.

22 And for ~~inter~~ ^{intra}-SCF, we sample account number 53121,
23 53601, and 53605.

24 Q Are you aware that according to Dr. Bradley's
25 testimony -- and this appears on page 25 of his testimony --

1 that the largest number of contracts observed -- and by
2 observed I mean the TRACS collectors -- was in the intra-P
3 and DC regular account 53601?

4 That number was 7,500 as compared to a total of
5 16,791 observations.

6 A I don't know his testimony that well to verify
7 that for you.

8 Q Well, no, we have the testimony and you're not Dr.
9 Bradley, and you don't have to explain Dr. Bradley.

10 I'm asking you, given the apparent frequency that
11 observations are made by TRACS collectors of this intra-P
12 and DC account, I am surprised that you seem unfamiliar with
13 that account, and with the division of the SCF account into
14 these accounts.

15 A When TRACS produces distribution key, and all
16 those accounts are treated as one contract type, to TRACS,
17 all those three intra-SCF accounts is one contract type.

18 And we produce one distribution key for that
19 contract type. We do not split further.

20 But if this account assumed what ^{it is} ~~she~~ - the number
21 you cited, is what it is, then this account ^{will} ~~were~~ have large
22 component of frequent -- large component of frame unit in
23 the TRACS frame.

24 Then it will be representative. It will be
25 representative by TRACS data.

1 Q On page 3 of your testimony, you refer to four
2 types of purchased highway transportation contracts,
3 inter-BMC; intra-BMC; inter-SCF; and intra-SCF.

4 I'm simply asking you that if the accounts are
5 being divided into other categories by -- in terms of the
6 contracts that each account represents, why are you still
7 using the accounts from the last rate case, when in this
8 rate case, Dr. Bradley indicated that, in fact, those
9 accounts, the SCF accounts, did not exist?

10 A Which account doesn't exist anymore?

11 Q Well, according to Dr. Bradley, inter-SCF and
12 intra-SCF.

13 A Oh. I don't think those -- you know, this
14 contract type still exists. Those four contract type are
15 still the contract type we are sampling. It is the accounts
16 under the contract type is different from R97. Well, Dr.
17 Bradley's grouping of accounts into the contract type is
18 consistent with the way I group the accounts into the
19 contract type. So I don't see there is any problem with
20 that.

21 Q But, in fact, there are some additional types like
22 areas and clusters and customer service units that Dr.
23 Bradley referred to that include facilities that are not
24 strictly Sectional Center Facilities, isn't that correct?

25 A I am not familiar with his testimony to answer

1 that. If you can give me a particular account number that I
2 can -- then I can tell you if that is included in TRACS
3 sampling or not.

4 Q That's all right. On page 4 of your testimony,
5 you state that stop days are stratified based on the
6 facility type of the stop and whether the trip is inbound or
7 outbound. Is the stratification done in terms of the volume
8 that passes through each facility or is there some other --
9 what is the factor that enables -- what do you use to
10 construct the stratification?

11 A Oh, as I explain here, the stratification is based
12 on the facility type and the trip, whether it is inbound or
13 outbound.

14 Q In other words, by facility type you mean Bulk
15 Mail Center, Sectional Center Facility and so forth?

16 A Exactly.

17 Q You don't then further stratify the stop days by
18 whether it is a low volume SCF or a high volume SCF, or a
19 high volume BMC or a lower volume BMC? In other words, it
20 is just what kind of facility is it?

21 A Actually, let me refer you to my Library Reference
22 52, page 8. I have the precise definition of all the strata
23 in TRACS how are we sampling.

24 Q And -- I'm sorry, please proceed.

25 A Yeah. Facility type is one variable, then the

1 trip direction is another variable. Sometimes the arrival
2 time can play a role. So it is not based on volume.

3 Q Would a type of mail, whether it be Standard A or
4 periodicals, or even First Class mail, which is drop shipped
5 into the area of a Sectional Center Facility for delivery,
6 would the effect of that drop shipping be reflected in the
7 TRACS sampling?

8 A Let me get that question right. You have drop
9 ship mail.

10 Q Yes.

11 A Entered at --

12 Q At an SCF.

13 A -- a P&DC. Okay. SCF.

14 Q That's right, a P&DC, yeah.

15 A Okay. Then where it goes from there?

16 Q Well, it goes to somebody who lives within the
17 service or delivery area of that facility. It stays within
18 the facility's boundaries.

19 A Then that mail, if that mail travels on a contract
20 vehicle, then it will be sampled for that particular leg.
21 If that particular leg belongs to a contract vehicle, then
22 it will still have chance to be sampled.

23 Q In the intra-SCF category, however, isn't it true
24 that much transportation from the SCF to the delivery office
25 is carried on Postal Service owned transportation?

1 A Not necessarily.

2 Q But it could be?

3 A Could be.

4 Q Do you have any idea what the proportion is
5 between drop shipped -- excuse me, between purchased highway
6 transportation versus USPS owned transportation within the
7 P&DC or SCF areas?

8 A No, I don't, I don't know Postal vehicle service
9 that well.

10 Q That's okay. Is there any reason, to your
11 knowledge, that in the construction of your sampling, of the
12 TRACS sampling system, that a data set was not constructed
13 from the Highway Contract Cost System, HCSS?

14 A Oh, try it again.

15 Q Are you familiar with the term HCSS?

16 A Oh, I got you. Is that the Highway Cost -- let me
17 get you the names. We are talking about the same thing.

18 Q You are getting close. I will give you the
19 answer. Highway Cost --

20 A Yeah, I know it is Highway Cost --

21 Q Contract Cost System, yes.

22 A HCSS, right?

23 Q Yes.

24 A That is what you are talking about. Okay.

25 Q That is correct.

1 A Now, what is your question now?

2 Q Well, the question is, why isn't data from that
3 system used in the TRACS sampling process?

4 A First of all, that data was used as one of the
5 input files to construct TRACS frame, but only for the
6 purpose of excluding box route from NASS route. So the
7 first statement you said isn't that accurate, but highway
8 frame is compiled from NASS, not HCSS. The reason is that
9 this HCSS doesn't have as detailed routing information as
10 the NASS database has. For sampling purpose, TRACS needs
11 routing information.

12 Q Does TRACS need the cost information, in other
13 words, the cost of a contract which is included in the HCSS
14 system?

15 A For sampling purpose, no.

16 Q Okay. So the actual, if -- I will give you an
17 example. If the Postal Service is paying a contractor
18 \$5,000 a day to take mail from Washington, D.C. to Richmond,
19 Virginia, and that is collected in the HCSS, you don't need
20 that? That does not affect the sampling that may be done on
21 that route by TRACS?

22 A We do not need the costs for TRACS sampling.

23 Q You don't. Okay. Thank you. That is helpful.

24 CHAIRMAN GLEIMAN: Mr. Feldman, do you have much
25 longer to go?

1 MR. FELDMAN: No.

2 CHAIRMAN GLEIMAN: If you do, then --

3 MR. FELDMAN: I actually, Mr. Chairman, and
4 obviously, of course, it is your decision, I do have about
5 five or six minutes.

6 CHAIRMAN GLEIMAN: Well, why don't you finish up
7 then and then we will take our break.

8 MR. FELDMAN: Okay.

9 BY MR. FELDMAN:

10 Q Ms. Xie, if you would kindly turn to Table 10 on
11 page 25 of your testimony.

12 A Yes, I have it.

13 Q Thank you. There's a list of mail categories on
14 that page, on the left-hand column. Are these mail
15 subclasses and classes, to the best of your knowledge?

16 A Are these what?

17 Q Are these mail subclasses and classes?

18 A Right, that is the class and the subclasses that
19 TRACS provides a distribution key for.

20 Q Okay, and do you see on the seventh line there is
21 a category called 2C Periodicals?

22 A Yes.

23 Q Do you see that? And then we have four columns
24 which are highway costs, and each of the four are highway
25 accounts, is that correct -- Intra --

1 A No. Highway contract types.

2 Q Highway contract types, thank you. Do you know if
3 there is a subclass called 2C Periodicals?

4 A It's a class.

5 Q Okay, and going down the column we see 3C Single
6 Piece, 3C CS -- I assume Commercial Standard ECR and several
7 other 3C categories.

8 Can you explain why of the mail categories listed
9 in your Table 10 the only category that is not divided into
10 subclasses is 2C Periodicals?

11 A Yes. That's in TRACS sampling we do not ask data
12 collectors to record subclass level for periodical.

13 MR. FELDMAN: Mr. Chairman, that concludes my
14 cross examination. Thank you.

15 CHAIRMAN GLEIMAN: Thank you, Mr. Feldman. I
16 think we will take a couple minutes more than ten. We will
17 come back at five after the hour. Thank you.

18 [Recess.]

19 CHAIRMAN GLEIMAN: Mr. Wells.

20 MR. WELLS: Thank you, Mr. Chairman.

21 CROSS EXAMINATION

22 BY MR. WELLS:

23 Q For the record, I am Maxwell Wells, appearing on
24 behalf of Florida Gift Fruit Shippers Association.

25 Ms. Xie, the references I am going to make to your

1 interrogatory responses are to the Florida Gift Fruit
2 Shippers interrogatories unless I indicate otherwise.

3 Turn, if you will, to your answer to our
4 Interrogatory Number 1.

5 A Yes, I have it.

6 Q There you say that you changed the sample
7 allocations for Intra BMC. In your response to an MPA
8 interrogatory you say that that is to alleviate a concern
9 about the imbalance in the sample sizes between inbound and
10 outbound routes.

11 In your answer to our Interrogatory 15 you confirm
12 that 51 percent of the samples for Intra BMC were on an
13 inbound route and 49 percent on the outbound route. Would
14 you qualify that as being applicable only for Quarters 3 and
15 4?

16 What were the percentages for Quarters 1 and 2?

17 A I think you got an earlier version on the response
18 for that question. We had errata filed I believe on May
19 1st. That question, that answer for Question 8 is
20 confirmed. Instead of confirmed ~~for PQ3 and PQ4~~ I was a
21 little confused when I answered this question. I was a
22 little confused with Intra SCF versus the Intra BMC.

23 For Intra SCF I changed allocation starting
24 Quarter 3 but for Intra BMC that was the same for the whole
25 year, so the answer here is confirmed.

1 Q So the Intra BMC percentages in your response to
2 our Interrogatory 15 applied for the entire year?

3 A Correct.

4 Q In the development of your revised sample
5 percentages, to what extent was their checking into account
6 mail volumes on inbound and outbound routes?

7 A It wasn't based on volume.

8 Q Mail volumes were not taken into account at all?

9 A For this particular change, change from R97 to the
10 current allocation, as I explained in my response to
11 Interrogatory MPA Number 3, that change was made to
12 alleviate a concern that was expressed in R97 about
13 imbalance ⁱⁿ sample size between inbound and outbound.

14 Back then I believe we sample more inbound -- I
15 can check that -- but I believe we have a different
16 proportion for inbound and outbound.

17 Q But in selecting the revised allocation
18 portions --

19 A No, the revised --

20 Q -- you did not take into account any volume, mail
21 volume?

22 A No, I didn't.

23 Q Is your revised sample allocation percentages
24 designed to eliminate the concern about an imbalance in
25 sample sizes?

1 A It is not eliminate. I said alleviate the
2 concern.

3 Q Does your vehicle utilization factors shown in
4 your response to Interrogatory 22 show that there is still a
5 significant imbalance in mail volume between inbound and
6 outbound routes?

7 A In response to your Interrogatory 20?

8 Q 22.

9 A 22. That's the vehicle utilization table you are
10 talking about.

11 Q Well, your response, your table on Answer 22 shows
12 that there is significantly greater utilization on the
13 outbound movement than there is on the inbound movement,
14 doesn't it?

15 A I am not sure if I would use significantly but --

16 Q Well --

17 A -- but the outbound is shown as higher vehicle
18 utilization.

19 Q If you look at Intra BMC Outbound for FACCAT --
20 F-A-C-C-A-T 4, it's 73 and for FACCAT 2, which is Inbound,
21 it's 40.

22 The difference between 40 and 73 is not
23 significant in your mind?

24 A What I mean "significant" is I haven't done any
25 statistics study to see if those two estimates are at 95

1 significance levels -- at 95 percent difference significance
2 level or 90 percent significance level, so I agree. That's
3 different. My outbound utilization is higher than the
4 inbound.

5 Q Why are your samples not greater for the outbound
6 than for the inbound?

7 A We are not to try to estimate volume here.

8 Q You are trying to measure utilization of
9 transportation facility, aren't you?

10 A We are sampling the mail unloaded at each facility
11 from truck. We are not counting the volume here. ~~Truck~~ ^{TRACS}
12 isn't designed to measure volume so I don't see the direct
13 correlation here.

14 Q And in selecting sample allocations, should the
15 samples be taken with some positive relationship to mail
16 volumes?

17 A It's not that obvious to me. If I am not
18 estimating volume how should volume play a role in the
19 allocation? I don't see that.

20 Q Well, if more mail moves on the outbound portion
21 of the trip than moves on the inbound portion, the mail on
22 the outbound portion does not have an equal chance of being
23 sampled, does it?

24 A No, not necessarily. Our frame unit ~~is in~~ ^{isn't} the
25 mail. Our frame unit is stop based and our outbound for

1 that particular strata you are talking about, the FACCAT 4,
2 my outbound actually has more frame units than inbound,
3 little more.

4 Q Well, isn't the inbound 51 percent and the
5 outbound 49 percent?

6 A I haven't finished yet. Before that particular
7 strata I have more frame unit in outbound than in inbound,
8 but in the rest of the strata my total outbound frame unit
9 is -- let me see where I have that number.

10 My point is that it's not the mere volume that we
11 try to estimate. It's the cubic feet mile that we are
12 estimating, so I really don't see why we need to allocate
13 our sample based on volume.

14 Q Are you not trying to develop a distribution key
15 with allocation transportation costs based on the relative
16 use of the transportation system by various subclasses of
17 mail?

18 A What did I say there? Let me refer to you
19 specific interrogatory that I think I describe to you for
20 the purpose of TRACS.

21 We tried to produce a distribution key that
22 reflect the utilization of cubic foot miles of vehicle
23 capacity on the network by various classes and subclasses of
24 mail.

25 Q Well, do you believe that the allocation of

1 samples should be determined by the relative mail volume on
2 inbound and outbound movements?

3 A Not really. See, the allocation is something that
4 affects the precision, but it doesn't affect the accuracy.

5 As long as our expansion process reflect the
6 selection probability, then what we estimate is a
7 non-biased, our estimate is an unbiased estimate, as long as
8 we reflect that selection probability.

9 Q You say the expansion aspect eliminates the bias?

10 A What I'm saying is that the expansion factor that
11 I used reflects the selection probability. Therefore, the
12 result of that estimator produced is a ~~known by~~ ^{non-biased} -- is an
13 unbiased estimator.

14 Q How does the expansion factors that you employ
15 reflect the sampling?

16 A Oh, let me explain to you how does that work.
17 See, if I have a thousand frame unit, then I select ten from
18 that. My selection probability will be ten divided by a
19 thousand, correct?

20 And when out of the 100 -- when I expand my data,
21 I use the reciprocal of that one percent which is 100. I
22 use that number to multiply every observation in that
23 strata, then add them up to form my cubic foot mile
24 estimates.

25 Q Where is this step reflected in Library Reference

1 52?

2 A Oh, okay, let me point you there. If you turn to
3 my page 22 of the Library Reference 52, the Equation 13. Do
4 you have that?

5 Q All right.

6 A Okay, do you see this distribution key is equal to
7 the numerator and the denominator. On the numerator, do you
8 see there's a W-H outside the parenthesis? That W-H is the
9 expansion factor we use to reflect the selection
10 probability.

11 Q Well, give me a definition of W-H.

12 A Oh, that's the strata weights, okay. That is
13 defined in --

14 Q Page 22 under the distribution key, you referred
15 me to the factor of W, small h.

16 A Wh, yes.

17 Q And what is that?

18 A You read ~~down~~^{on}. The strata weights is defined in
19 Equation 14, which is the next page of my document. I hope
20 that also shows the same page number, 23, page number 23.

21 This strata weight is defined in this equation.

22 Q Give me a verbal definition of Wh.

23 A Wh, strata weight. W represents weight, h
24 represents strata. We use h for strata.

25 Q There in your line 14, what is the Nh.

1 A I have two Nh here. Which one, little one or
2 capital one or lower case one?

3 Q The capital one.

4 A Oh, that's my frame units?

5 Q The what?

6 A That the frame units, that's the total population
7 count in that strata.

8 Q And the small nh is what?

9 A It's sample, number of tests we received.

10 Q And how is it that you factor up or expand for the
11 nature of the sample?

12 A I didn't get that question.

13 Q How is it that you expand the sample based on the
14 sampling allocation?

15 A Oh, as I said, this Wh reflects the selection
16 probability. See, if observation has less chance to be
17 selected for reasons either because they have a lot of frame
18 units or because I didn't have a lot of sample, didn't take
19 a lot of sample, so the chance for a particular observation
20 to be selected in that strata may be smaller than another
21 observation in another strata, let's say inbound versus
22 outbound.

23 And maybe my observation in inbound has less
24 chance to be selected than the observation in outbound.
25 Let's say, hypothetically, okay, then every observation in

1 inbound gets expanded larger.

2 You know, it doesn't have a bigger chance to be
3 selected. Once I hit it, I multiply by a larger number.

4 Q A larger number of stop days inbound, and the
5 number of stop days outbound, are essentially the same?

6 A Actually, you bring up a very good question. I
7 thought it would be similar if under a simple notation, you
8 have one inbound out, you have one outbound come back.

9 But when I look at the TRACS data, it wasn't like
10 that. As a matter of fact, for the particular strata that
11 we were just talking about, let's say inbound, ^{intra}~~inter~~-BMC,
12 versus outbound ^{intra}~~inter~~-SCF when route go --

13 Q Comparing intra-BMC with inbound, and intra-BMC.

14 A Excuse me, excuse me. I'm talking about inbound
15 inter-BMC and outbound inter-BMC, that's right? Right? We
16 are talking about that?

17 Talk about those two strata. What I found is for
18 one particular quarter, I have 700, about 700 -- let's see
19 which one that is. I like to give you exact.

20 What I found is, I have 700 frame unit for
21 inbound, but I have about a thousand frame units ^{for}~~four~~
22 outbound. So, you see, there is at least 30 percent of this
23 frame stops, stop days, in outbound, doesn't have its
24 counterparts in inbound.

25 So that tells me it's not ^T~~a~~ transportation network

1 seems not that simple ~~or~~ as if every trip has one inbound
2 out, one outbound in.

3 You know, I guess transportation network is much
4 more complicated than that simple notion would imply it is.

5 Q Well, if there are more strata in the outbound
6 movement, why is it the sample allocation not greater for
7 the outbound movement?

8 A As I said, I'm not ~~a~~ sampling the volume. The in
9 --

10 Q You're sampling the number of instances where
11 sampling will occur; are you not?

12 A For unit, you're saying I'm sampling the stop
13 days, right? So your question is, if I have a thousand stop
14 days in outbound, I have 700 stop days in inbound, I should
15 allocate that way? I should say I give more, 30 percent
16 more sample to outbound; is that what you're implying?

17 Q You should have more sample allocations to the
18 outbound movements; shouldn't you?

19 A Not necessarily.

20 Q If it's going to be a random selection, why
21 wouldn't the random selection follow the number of stop days
22 in each strata?

23 A Okay, previously, you said I should follow the
24 volume, now you say I should follow the frame unit. But I
25 tell you, neither of them are the critical criteria for

1 allocating sample.

2 A sample allocation, an efficient sample
3 allocation minimized the variation, minimized the variance,
4 and under constraint of the cost constraint, so that's what
5 most efficient allocation does.

6 But the fact is, you know, how do you estimate the
7 variance, how do you consider the costs? There's those
8 things that we have to figure out in order for us to say if
9 this allocation is the efficient one.

10 So we are going to do evaluation on TRACS design,
11 as I indicated earlier ^{after} in FY2001, and ^{before} that time we will
12 definitely look into our allocation to evaluate if that is
13 the most efficient allocation.

14 Now, I'm pretty much sure they considered variance
15 in the initial design, but how did that it was -- how did
16 that counted -- I haven't figured out yet.

17 I think it's really important issue for us to look
18 into when we do the sample evaluation, when we do the
19 evaluation of TRACS design.

20 But, again, it's not definite ~~to~~ the volume or the
21 number of frame unit that will decide where we should
22 allocate our sample.

23 Q Well, what factors did you consider in making the
24 changes that you made in the sample allocation?

25 A For Intra BMC?

1 Q For Intra BMC.

2 A Intra BMC? As I explained, it is the concern of
3 imbalanced sample between inbound and outbound that we used
4 in R97 seems not very intuitive why we should have this
5 imbalanced sample, so we figure, well, it seems more
6 reasonable for us to make it more balanced, but anyway we
7 ~~reflected~~ ^{reflect it} in our expansion, as I explained to you, so, you
8 know, it's -- either way, the old way or new way wouldn't
9 cause any bias. It's an efficiency issue which way is
10 better or which way is the best, it is subject to further
11 study.

12 Q Well, I understand that the reason that you
13 changed your sample allocations was to alleviate this
14 concern about imbalance. My question was in arriving at
15 your new sample allocation percentages what factors did you
16 take into account to establish your new percentages?

17 MR. HOLLIES: Objection. Asked and answered
18 twice.

19 MR. WELLS: I believe it has been asked before but
20 not answered, Your Honor.

21 CHAIRMAN GLEIMAN: Well, let's get the answer one
22 more time if it has been answered before, okay?

23 THE WITNESS: For Intra BMC?

24 BY MR. WELLS:

25 Q For Intra BMC --

1 A Yes.

2 Q -- inbound and outbound.

3 A Right. The concern is to -- the purpose of that
4 revision, that change, is to alleviate the concern.

5 Q But there were no specific -- you didn't consider
6 the number of stop days inbound and outbound? Correct?

7 A No.

8 Q You didn't consider mail volume?

9 A No.

10 Q What factors did you consider in establishing the
11 new percentages?

12 A Historical precedents and the concern of
13 imbalanced allocation.

14 Q These new numbers are just drawn out of the air
15 with no factors to evaluate them?

16 A It's not out of air. If you look at that
17 allocation we have -- we ^{have} about the same amount inbound tests
18 versus the outbound tests now.

19 Q You have more inbound, don't you?

20 A A little bit.

21 Q 51 percent versus 49 percent.

22 A Right, right, because I have three stratas, I have
23 three stratum in inbound. I only have two in outbound.
24 That is why a little more.

25 Q But there are no -- you didn't consider volume,

1 you didn't consider stop days. Did you consider vehicle
2 utilization?

3 A No.

4 Q Did you consider any factor, any concrete factor
5 in establishing the new percentages?

6 A I told you this -- most of those allocations were
7 based on historical number. I believe when they established
8 those numbers, those allocations, they had their reason.
9 They did a study.

10 Now for this particular case, for Intra BMC case,
11 it looks a little bit imbalanced, so we made it more
12 balanced. That is the only improvement that we did, and as
13 I said, we will look into it in FY 2001 when we do our TRACS
14 evaluation. At that time we probably can develop some rigid
15 mathematic formula to say how many should be allocated to
16 each strata, but now I have to say that is the base for the
17 allocation.

18 Q Turn, if you will, to your response to
19 Interrogatory Number 5.

20 A Yes, I have it.

21 COMMISSIONER LeBLANC: Mr. Wells, that's Florida
22 Gift Fruit Shippers Number 5?

23 MR. WELLS: Florida Gift Fruit Shippers. All my
24 references are Florida Gift Fruit Shippers interrogatory
25 responses unless I indicate to the contrary.

1 BY MR. WELLS:

2 Q In your response, you distinguish between cubic
3 foot miles and expanded cubic foot miles. Please explain
4 the difference between cubic foot miles and expanded cubic
5 foot miles?

6 A Expanded means I used that equation we just talked
7 about, that -- I used that number, instead of the data that
8 are collected. So it is fully expanded to ^{represent} ~~present~~ strata
9 and add together ^{to} represent the universe.

10 Q Well, is the expansion procedure that is described
11 in Library Reference 52?

12 A Yeah. Yeah.

13 Q To expand for the unutilized space in the
14 container and the unutilized space in the vehicle?

15 A Yes.

16 Q All right. Well, is the expanded cubic foot mile
17 the measure of the utilization of the vehicle capacity
18 rather than the measure of the mail utilizing the vehicle?

19 A We consider that as same notion, the utilization
20 of the vehicle capacity, that includes empty space.

21 Q Well, what you are doing is you are allocating the
22 vehicle capacity entirely to the mail that is sampled?

23 A The mail on the vehicle.

24 Q The mail on the vehicle.

25 A Uh-huh.

1 THE REPORTER: Is that yes?

2 THE WITNESS: Yes.

3 BY MR. WELLS:

4 Q So that the mail on a vehicle that is 90 percent
5 utilized is different from mail on a vehicle that is 10
6 percent utilized, is that right?

7 A Holding everything else constant, then the percent
8 of empty does play a role.

9 Q All right.

10 A Yes.

11 Q In the expansion process, will the cubic foot
12 miles of a parcel sample from a fully utilized vehicle be
13 the same as a parcel of the same size sampled from a
14 partially utilized vehicle, assuming the distance traveled
15 to be the same for both parcels?

16 A We have to assume more than that. What else on
17 the vehicle?

18 Q Assuming everything else is the same. You have
19 the cubic foot miles of the sampled parcel from a 100
20 percent utilized vehicle and a similar parcel of the same
21 size sampled from a partially utilized vehicle. Will the
22 cubic foot miles be the same?

23 A The expanded cubic foot mile, that is what you are
24 asking?

25 Q I am asking will the cubic foot mile be the same?

1 A For that particular parcel?

2 Q Yes.

3 A Before expanding?

4 Q Yes.

5 A If it is -- if the parcel has the same weight,
6 same miles, yes.

7 Q The actual cubic foot miles of the two parcels
8 would be the same?

9 A Correct.

10 Q Will the expanded cubic foot miles be the same?

11 A That depends.

12 Q Well, what does it depend on?

13 A As I said, it depends on the strata weights. If
14 they are in different strata, then you have different strata
15 weights.

16 Q What is the strata weight?

17 A Oh, that is the one I told you ~~the WH~~, this WH
18 strata weights, that reflects selection probability.

19 Q That is just the selection probability?

20 A Yeah, that also take into account, when I say
21 expanded, that factor got multiplied, too. If you look at
22 my formula in that summary, you will see that is reflected.
23 Now, if that is different, of course, the expansion would be
24 different. The expanded number would be different.

25 Now, if the percent of empty is different, the

1 expanded, ^{to} ~~the~~ cubic foot mile will be different, too.

2 Q And it would be greater, the lower the
3 utilization, the greater the expansion, is that right?

4 A The larger the percent of empty, then the larger
5 of the expanded value if the strata weight is same.

6 Q Turn to your response to our Number 8.

7 A Okay. Let me see. Uh-huh. Yes.

8 Q For the purpose of developing the distribution
9 key, will the cubic feet of each parcel sample be the same
10 regardless of the utilization of the vehicle?

11 A Is that Number 8?

12 Q Eight.

13 A Eight, right. Yes, I said it will record
14 different vehicle utilization, but it will reflect the same
15 cubic ~~feet~~ ^{feet} mile. Mail information, ^{it} ~~the~~ mile is
16 different, right, so ^{only} ~~the~~ mail information.

17 Q If we have two parcels identical in weight, size
18 and shape, will the recorded cubic feet for each parcel be
19 the same?

20 A Yeah, first of all, we do not record cubic feet,
21 we record weight, right.

22 Q You record -- will the weight of those two parcels
23 be the same?

24 A Yeah. Right. Same. Same. And if it ~~is~~ ^{weighs} weight
25 will be same, the mile would be same, if they are same

1 distance, if they have the same distance, correct.

2 Q If the weight is the same, will the calculated
3 cubic feet be the same?

4 A Based on the density factor, yes.

5 Q You will use the same density factor for the same
6 kind of parcel, don't you?

7 A Yes. Yeah. Yeah. I should, right, yes. Of
8 course.

9 Q So if the weight is the same, the cubic feet of
10 the two parcels would be the same?

11 A Uh-huh.

12 THE REPORTER: That's a yes?

13 THE WITNESS: Yes. I'm sorry. Yes.

14 BY MR. WELLS:

15 Q For the purpose of developing the distribution
16 key, will the cubic feet of each of these two parcels be the
17 same regardless of the utilization of the vehicle?

18 A The cubic feet of the parcel, expanded cubic feet
19 you are talking about now?

20 Q No, I am asking you will the cubic feet of the
21 parcel sample be the same regardless of utilization?

22 A Before expansion?

23 Q The recorded cubic -- the recorded weight and
24 converted cubic feet of each of those two parcels, will it
25 be the same?

1 A Yes.

2 Q Does the expansion to reflect vehicle utilization
3 change the cubic feet of the sampled mail?

4 A Yes.

5 Q It makes it larger, correct?

6 A If it has the larger empty space, it makes it
7 larger, yes.

8 Q Well, whether it is 80 percent or 50 percent, in
9 either case it will make the recorded data larger?

10 A Yes.

11 Q And it is this larger number that is taken into
12 account in your development of the distribution key?

13 A Yes.

14 Q Turn to your response to Number 9 --

15 A Yes, I have it.

16 Q In the response you use two terms, "stratum
17 weight" and "strata" -- would you provide a definition or
18 meaning for each of these two terms?

19 A Well, I haven't ^{found} defined the term you refer to.

20 Q Under "b" in the second line you use the term
21 "stratum weight."

22 A I see it. Oh, then I say clearly they are in
23 different strata.

24 You want me to define strata weight?

25 Q What is a strata?

1 A I'm sorry?

2 Q What is a strata?

3 A Oh, strata is what we define at my Library
4 Reference, page -- actually I think you are familiar with
5 that concept -- at my Library Reference, page 8, table 2,
6 for Intra BMC we have inbound BMC strata, inbound SCF
7 strata, inbound Other strata and outbound SCF strata,
8 outbound Other strata.

9 Those are the five strata under Inbound BMC. That
10 is what I am talking about a strata.

11 Q The strata is the identification of the direction
12 of the movement and the type of facility at which the sample
13 is taken?

14 A Strata is defined based on the trip direction and
15 type of facility --

16 Q All right.

17 A -- for Intra BMC.

18 Q So that is what strata means?

19 A Yes.

20 Q What does stratum weight mean?

21 A Oh, the stratum weight is the reciprocal of the
22 selection probability for the sample in that strata.

23 Q In your selection you are selecting 41 percent on
24 the inbound movement at a BMC. The stratum weight is 59
25 percent?

1 A No. No, stratum weight is developed by the total
2 number of frame units divided by the sample. That is what I
3 explained to you back then in my Equation 14 of Library
4 Reference 52. That is how strata weight is calculated.

5 Q In my Interrogatory Number 9, I spoke about two
6 different parcels with 150 miles each way, single stop, and
7 there is a 10 percent empty factor and an 80 percent empty
8 factor. There's one single bedload of parcel, one cubic
9 feet inside included in the TRACS sample at each
10 destination.

11 Will the recorded weight mail category and item
12 type for each of the two samples be the same?

13 A Yes.

14 Q Will the same density factors be used to determine
15 cubic feet for each of the two parcels?

16 A Yes.

17 Q Will the same mileage be used for each of the two
18 parcels to determine cubic foot amounts?

19 A Yes.

20 Q Will the same cubic foot miles be determined for
21 each of the two parcels for use in determining the
22 distribution key?

23 A No. Not necessarily.

24 Q That is because of your expansion formula?

25 A Because -- the expansion formula, yes, you can say

1 that. The expansion formula took into consideration of the
2 strata^{after} weight what else unloaded from the truck, et cetera,
3 and vehicle empty space, if I think that is what you are
4 interested.

5 As I explained in the table as a part of a
6 response to your Question Number 9, I gave you one
7 particular example that expansion, the expanded cubic foot
8 mile can be one way or the other.

9 Q I am going to ask you about that.

10 A Oh, okay.

11 Q Looking at the table, the stratum weights inbound
12 is 700 and outbound is 1000. What is the source of those
13 two numbers?

14 A Those actually I took from my Z Expansion Program.
15 It is very close to true number though. I just round it to,
16 in order for me to answer this interrogatory I round it to a
17 whole number.

18 Q Well, how do you calculate a stratum weight 700
19 for inbound?

20 A Oh, because I have -- you know, you can actually
21 go back and look at your Library Reference, the CDs that I
22 provided. That number, you can see that number in one of
23 the printouts.

24 In one of the printouts I gave you a table for
25 strata weights by contract type. Now let me pick a

1 particular --

2 Q Now where is this?

3 A That is in my Library Reference, LR I52 CD. It is
4 not in hard copy though. It is the -- it is an electronic
5 file. It is a log for expansion process.

6 Q I understand.

7 A Yes.

8 Q Which log is it in? You have got four of them in
9 it.

10 A Oh, okay. I just picked a quarter. I picked the
11 Quarter 4 -- you know, you just pick the Quarter 4 -- you
12 know, you just pick a Quarter 4. Let me tell you what is
13 that file named so you can check later if you wish.

14 Okay, if you turn back to my Library Reference 52,
15 page 38, I have Appendix 4 listed source code and data on CD
16 ROM. Then keep going, and look at the description column.

17 Q This is page what?

18 A Thirty-eight.

19 Q All right.

20 A Do you have it?

21 Q I have it.

22 A Yes, keep looking down to the end. There's a
23 description called ^{SAS}~~CESS~~ logs of expansion; do you see that?

24 Q I see it.

25 A Okay, now, the file name is highway/logs/expand.

1 Q Right.

2 A The file name has a Z-E-X-P, little q there, that
3 little q represents quarters. So if you look at your
4 electronic file Z Expand 4, ⁱⁿ ~~and~~ this directory, you would
5 see the report that I'm talking about.

6 Q And where in Z Expand 4 would I find it?

7 A What I'm saying is, if you go look for that file

8 --

9 Q I have that printout here.

10 A Oh, okay.

11 Q Now, tell me where I find it.

12 A Page 11 of that file. I'm talking about printout
13 of page 11, okay? It's not the log. It looks like this.

14 Q Have you got a line number reference there?

15 A There's 11 on the right-hand side. Do you want me
16 to find that for you? I can do that if you hand me the
17 printout.

18 Q Does the number, 700 appear?

19 A Okay, now, do you find that table called Contract
20 Type Equal to ^{Intra} ~~Inter~~-BMC? The first table is ^{intra} ~~inter~~-BMC,
21 second Table is ^{intra} ~~inter~~-SCF; the third one is intra-BMC.

22 Q Intra-BMC?

23 A Correct.

24 Q All right, I have it.

25 A Okay, look at the strata weight, which is on the

1 right-hand side. Do you see, under that column, the FACCAT
2 has 760.65? Do you want me to find that for you?

3 Q Well, the last column on this is mail in.

4 A I don't think -- Okay, turn back a page. I know
5 what you're talking about. Turn back one page.

6 Q That's con type inter-SCF.

7 A Yes, yes, correct, and then keep moving down,
8 inter-SCF, and then inter-BMC; do you see the third, the
9 third panel? This is the first one inter-BMC; second is
10 inter-SCF; the third one is intra-BMC; do you see that one?

11 Q Well, I see an inter-BMC, but I don't see a
12 number, 700.

13 A Oh, 760.65. Just round it.

14 Q .65?

15 A Do 800 or 700, but does that -- we're talking
16 about a hypothetical example I just took a hypothetical
17 number, but the resemble closely with the true number.

18 Do you see that first line is 760, and then the
19 fourth line, which is the FCCAT equal to four, showed 1,077.
20 So I took 700 and the one thousand to answer this
21 interrogatory.

22 As I said, it's an approximate number, a rounded
23 number.

24 Q We obviously are looking at different printouts of
25 this same thing.

1 A Do you want to show me what page that you are?

2 MR. WELLS: Mr. Chairman, I wonder if during the
3 lunch recess, I might be able to work this out with the
4 Postal Service counsel?

5 CHAIRMAN GLEIMAN: That's one possibility. The
6 other possibility is that you could approach the witness now
7 and let her see what it is that you're looking at, and maybe
8 you can reconcile your differences and finish up before we
9 go to lunch.

10 MR. WELLS: Very good, thank you.

11 [Pause.]

12 THE WITNESS: Oh, your page is totally different.
13 That is why we cannot speak same language here. The
14 printout is totally different. Intra-BMC, 760. That is
15 what I am referring to, yeah.

16 CHAIRMAN GLEIMAN: Are we ready to proceed now?

17 MR. WELLS: I am. Thank you, Mr. Chairman.

18 BY MR. WELLS:

19 Q What you are referring to a printout under a title
20 "CON Type Intra-BMC," and for FACCAT1, you have got a strata
21 weight of 760.65.

22 A Correct.

23 Q And under FACCAT4, you have a strata weight of
24 1077.09.

25 A Correct. But that number varies by quarter,

1 though, I am just picking up one quarter to show you.

2 Q I understand. Now, what is the numbers in, what
3 is that, sample count, the third column?

4 A SAMPCNT?

5 Q Right.

6 A Okay. That is the number of tests we received.

7 Q The count of the number of tests?

8 A Correct.

9 Q And what is the next column, frame count?

10 A Right.

11 Q And what is the frame?

12 A Frame is our stop days.

13 Q Total stop days?

14 A Uh-huh.

15 THE REPORTER: That's a yes?

16 THE WITNESS: Yes.

17 BY MR. WELLS:

18 Q And strata weight is frame count divided by sample
19 count?

20 A Correct.

21 Q Referring back to your table, in response to
22 Number 9.

23 A Yes, I have it.

24 Q The third from the bottom line. Parcel cubic feet
25 expanded to the stratum. You have got a number of 3500 in

1 there.

2 A Right.

3 Q How is that number calculated?

4 A Oh. It is 50 multiplied by 700, I guess I miss a
5 zero here, but that doesn't --

6 Q What is the 50?

7 A 50 is the parcel after it is expanded to truck
8 capacity.

9 Q You mean we have a one cubic foot parcel that is
10 expanded to 50 cubic feet, is that right?

11 A Uh-huh. Uh-huh.

12 Q And it is further expanded to 35 --

13 THE REPORTER: That's a yes?

14 THE WITNESS: Yes. Yes. I'm sorry.

15 BY MR. WELLS:

16 Q 3500 cubic feet?

17 A Yes.

18 Q And it is further expanded to 5,250,000 cubic
19 feet?

20 A Yes.

21 Q So this one cubic foot parcel is now 5 million
22 cubic feet?

23 A Yes.

24 Q And that is the number that is taken into account
25 in developing the distribution key?

1 A Correct. Because, remember, we only take sample,
2 right. And if the universe is much bigger than what we
3 sampled, so we have to expand it back to the universe. That
4 is what the beauty of sampling. Otherwise, you have to stop
5 mail, count everything.

6 Q All right. Turn to your response to Number 12.
7 And your response there says the data collector will select
8 a total of eight parcels and sacks.

9 A Uh-huh.

10 Q How does the data collector determine how many
11 parcels are to be selected?

12 A As I answered here, I cite the number for sacks
13 and parcels are selected in proportion to their presence on
14 the vehicle.

15 Q And how does the data collector determine the
16 relative proportion of sacks and parcels on the vehicle?

17 A That is part of the utilization, the record.
18 Remember, when data collector perform a TRACS test, highway
19 TRACS test, they get into the vehicle, they look at the
20 floor utilization by where the containers, by pallets, by
21 loose parcel -- I'm sorry, by loose sacks, then by loose
22 other items and by loose Express Mail. They recorded those
23 five percentages.

24 Q Now, a vehicle backs up to the dock to be unloaded
25 at a point where sampling will occur, and the only items on

1 this vehicle are sacks and loose parcels.

2 A Okay.

3 Q Now, without counting the parcels, and without
4 counting the sacks, how the data collector determine the
5 relative proportion of each that are on the vehicle?

6 A That is described in our handbook. What is the
7 number of Library Reference?

8 Q In Library Reference 16?

9 A In this handbook for cost system, right. I have
10 to remember exact number, 65. Handbook 65, the Library
11 Reference number is 18.

12 Q All right.

13 A Yeah. That is explained in the handbook, but, you
14 know, I can explain to you what they are supposed to, they
15 get into the vehicle, look at the floor space that sacks
16 takes and the parcel takes, parcel with something else, not
17 just parcel, parcel is together with other loose. But sack
18 is separate. So, if, on this particular vehicle, you only
19 have sacks and a parcel, they are going to look at how much
20 floor space each of them is taken and then record that
21 percentage.

22 Q Right. When you say relative proportion of each
23 in the vehicle, you mean there relative floor space of the
24 vehicle occupied by each?

25 A Did I say relative or just say proportion? It is

1 the proportion of the vehicle floor space they each take.

2 Q Right. So that if sacks are stacked up several
3 high and parcels are loaded on the floor of the truck,
4 singly, parcels take up more floor space, is that right?

5 A What is that again? Sacks stack high and parcels
6 spread on the floor?

7 Q Yes.

8 A That is the case. Well, it depends on how much
9 they spread out. If they take half of the truck space, then
10 it will be recorded 50. Then sack would be recorded another
11 50. It is really depending on how they are put on the
12 truck, how the parcel and the sacks get loaded on the truck.

13 Q Well, if they unload for sampling, 20 parcels and
14 20 sacks, how many of each is selected?

15 A Now, let me say only thing they ^{unloaded} ~~noted~~ is sack and
16 parcel, right, nothing else?

17 Q The only thing on the vehicle is sacks and
18 parcels.

19 A Okay, all right.

20 Q And the only thing unloaded is sacks and parcels,
21 and the only thing to be sampled were sacks and parcels?

22 A Okay.

23 Q How many sacks and how many parcels are to be
24 sampled?

25 A Depending on the percentage ^{unloaded from} ~~load on~~ the vehicle,

1 if they each take half space, then four and four, then four
2 parcels were be sampled, four sacks will be sampled.

3 Q You mean the number of each to be selected is
4 dependent upon the vehicle floor space occupied by each mail
5 category?

6 A Not a mail category.

7 Q Each type of loose parcel or sack?

8 A Yes.

9 Q Turn to your number 14.

10 A I have it.

11 Q A sack is unloaded from a vehicle. And or any
12 container is unloaded from the vehicle, and it's full of
13 Standard A and Standard B parcels.

14 How does the data collector determine the
15 proportion of container space occupied by each without an
16 actual count of the items?

17 A Let me get that right. Container unloaded from
18 the vehicle, inside the container what do we have again?

19 Q A container full of Standard A and Standard B
20 parcels.

21 A It's filled up with Standard A and Standard B
22 parcel?

23 Q Standard A and Standard B parcels are mixed
24 together and put into a container. How does a data
25 collector determine the proportion of container space

1 occupied by each?

2 A Okay. The percent container taken by is not for
3 class. In that particular case, if you are saying Standard
4 A is also parcels, Standard B, also parcel, if the whole
5 container contains parcel, nothing else --

6 Q Standard A parcels or what used to be called Third
7 Class, Standard B parcels are now what used to be Fourth
8 Class.

9 A Okay. Okay, that's the rate category, right, but
10 ~~TRACS~~ ~~a track~~ doesn't go with a rate category when they record a
11 percent.

12 The percentage is based on item type. What we
13 have -- we have ~~out~~^{our} definition for ~~out~~^{our} item type.

14 Loose piece is considered as one item type. So in
15 that particular case, if the Standard A parcel is a loose
16 piece, and the Standard B parcel is also loose piece, you
17 know, not in sack, if they loose in container --

18 Q They're in a container.

19 A Yes, they're in a container, but are they in sack,
20 though?

21 Q No.

22 A No, they are not in sack, so they are loose. If
23 they are loose, ^{we} will only record one hundred percent, if
24 this is ~~a sealed off~~^{selected}, the container, then we record one
25 hundred percent loose piece.

1 So the percentage, to answer this question, that's
2 a hundred percent for loose piece.

3 Q So, in this particular example, if the container
4 holds Standard A parcels and Standard B parcels, they would
5 take one of each for sample?

6 A No.

7 Q How many Standard A parcels would the collector
8 select?

9 A If they are all parcels --

10 Q They're all parcels.

11 A Yes, they take one.

12 Q They take one?

13 A The data collector would take one, for each item
14 type they only take one.

15 Q Well, item type being a parcel or category?

16 A Loose piece. That includes loose parcel.

17 Q Right. So this container is full of parcels.

18 Some of them are Standard A and some of them are Standard B,
19 and the data collector would only select one?

20 A Unless there's a sack, unless --

21 Q There's no sack, just loose.

22 A Yes, if it's just loose, they only do one. They
23 only select one.

24 Q And the sample would then reflect the data
25 recorded on that one parcel?

1 A Yes.

2 Q Then how would it be expanded to the container
3 size?

4 A Oh, then it just take the container cubic feet.

5 Q All right, so if it was full, if that one parcel
6 that was selected and picked up by the data collector,
7 happened to be a Standard B Parcel Post, he would record
8 that for the entire container as being all Standard B?

9 A He wouldn't record. He would record one piece,
10 Standard B, and 100 percent for container is filled up with
11 loose piece.

12 And when I expand data, I will expand that to the
13 whole container.

14 Q So it's just a matter of happenstance as to what
15 the data picks up out of that container, and if the
16 container held 95 percent Standard A and five percent
17 Standard B, and he happened to pick up a Standard B parcel,
18 the entire container would be attributed to Standard B; is
19 that right?

20 A If it's 95 percent Standard B and only five
21 percent Standard A, the chance is 95 percent of the time,
22 the data collector probably picked that Standard -- what is
23 that one?

24 Whichever has larger percentage, he may pick that
25 one, but it's possible he picked the other one. It's random

1 sampling, but we do not just do one ^{of} ~~or~~ two sample; we do
2 thousands of samples in a quarter.

3 So in this particular test, he may pick up
4 Standard A. In another test, another data collector may
5 pick a Standard B.

6 So it's random. You remember TRACS test is quite
7 difficult, as if the mail always moving, and, you know, you
8 have to develop a sampling scheme that can get reasonably
9 accurate data, but without significantly delaying the mail.

10 And we tell them to sample five containers, eight
11 loose item, ^{all} ~~or~~ Express Mail items.

12 Now, for each container, you know, if we tell them
13 count every piece in the container, first of all, I don't
14 know what I'm going to use that piece information for,
15 because I don't expand -- I don't get piece -- I don't need
16 the piece information to develop my distribution key.

17 Again, it would take hours for them to count every
18 piece in the container. Now you have five containers.

19 It's, to me, that's why we use sampling.

20 Q Now, turn to your response to Number 16.

21 A Okay. Yes, I have it.

22 Q Now, assume, if you will, that a wheel container
23 is being returned to the BMC and it contains a single piece
24 of mail on the inbound movement.

25 Will the recorded cubic feet of that parcel be the

1 same as the cubic feet of a bed-loaded parcel of the same
2 size and weight?

3 A The calculated cubic feet will be same.

4 Q The parcel that was in the container will be
5 expanded to the size of the container; won't it?

6 A It will.

7 Q But the size of the bed-loaded piece will not be
8 expanded to the size of a container?

9 A It will get expanded to the vehicle capacity taken
10 by that group of item. ^{It} would be loose item.

11 Q Well, the expanded container will also be expanded
12 to the vehicle capacity; won't it?

13 A Yes, to the percent of container that takes.

14 Q Is the selection and size of the container made by
15 the Postal Service or the mailer?

16 A I would think if it is a postal operation then the
17 Postal decide the container. If it is mailer operation,
18 mailer decides container. You are talking about at the
19 postal facility?

20 Q If they have to get a container back to the BMC,
21 they are going to send it with whatever mail is available,
22 won't they?

23 A Okay.

24 Q Well, explain why mail that is transported in a
25 container which is only partially full should be charged

1 with the unused space in the container?

2 A If that container is taken, you cannot add more
3 mail into that container. I think that was discussed in
4 R97, our Postal Witness John Pickett's rebuttal testimony,
5 why mail in the container should be expanded to the
6 container capacity and actually I think this question is
7 redirected to Dr. Bradley and he answered in his response to
8 this question as well.

9 Q And my question to you is a mailer sticks a parcel
10 in the mail and it's transported. Why should the mailer be
11 charged with cubic feet that he didn't send?

12 A You know, TRACS uses assumption that what in the
13 container shared container space, what on the truck shares
14 the truck space.

15 Q Well, the container shares the truck space too.

16 A Right, so, you know, whatever mail on the truck
17 shares the whole truck capacity.

18 Q Well, are we trying to distribute capacity or are
19 we trying to distribute based on mail use?

20 A The capacity is what we paid for, right?

21 Q And my question is in your distribution key are
22 you trying to distribute the entire cost or are you trying
23 to distribute according to the cubic feet of mail?

24 A I distribute utilization of the vehicle capacity.
25 That includes empty space, but that distribution is based on

1 the mail.

2 Q Turning to your response to Number 17 --

3 A Yes, I have it.

4 Q -- and your response there says that Inter SCF
5 contract, quote, "occasionally" have BMC stops.

6 A Yes.

7 Q Can you quantify "occasionally"?

8 A Well, I mean we found it in our frame units. They
9 are part of the frame so I have to sample them.

10 Q Well, that means five times or 50 times or how
11 many stops at a BMC does an SCF, Inter SCF contract utilize?

12 A You mean the number of frame units?

13 Q I am talking about the number of stops at a BMC on
14 an Inter SCF contract.

15 A I can find that for you. At the same page that I
16 referred to earlier, the same printout, and the title of
17 Strata Weight for Inter SCF I also show the frame count for
18 the stops at BMC under Inter SCF.

19 Let me double-check. Yes. The Strata 1 is the
20 BMC's on the Inter SCF. That frame count tells you how many
21 frame units we have under that strata. It is over 22,000 in
22 that particular quarter.

23 Q Out of 1.177 million?

24 A I'm sorry?

25 Q 22,000 out of 1.177

1 A Correct.

2 Q Well, 5 percent of the total would be 55,000, is
3 that right?

4 A Yes, but this 5 percent isn't exactly the frame
5 proportion.

6 Q Two percent of the stops were at BMC but you
7 sample, 5 percent of your samples come from the BMC. Now
8 where did the 5 percent come from?

9 A That number again is the number used exactly in
10 R97 and even previously. I didn't change that number. The
11 number is small.

12 Q Did you try to substantiate the validity of the
13 percentage?

14 A Well, as I said, we haven't gone through the
15 thorough review on allocation for TRACS. In that particular
16 example 5 percent, should that be -- 5 percent is allocated
17 to that strata, should that be 2 percent just to match this,
18 or should it be 6 percent or 7 percent? At this point I
19 cannot answer you because I haven't studied yet to know what
20 is the most efficient allocation, but again the strata
21 weight reflects a selection probability so that the data
22 observations that are collected under that strata will be
23 properly expanded to reflect that selection probability.
24 Then our estimates again is not biased.

25 Q So your justification for having 5 percent of the

1 samples taken at BMCs on Inter SCF contracts is that is the
2 way they have done it before?

3 A They have done it before, right. I haven't
4 reviewed -- I haven't studied thoroughly to see if that
5 number should be changed or not.

6 Q Turn to number 18, if you will.

7 A Sure.

8 Q In your response to part (b), down about the third
9 sentence, you say the result is then multiplied by the
10 number of items in the container to obtain the unadjusted
11 cubic feet of all items with the same item type. There,
12 item type refers to mail code; is that correct?

13 A No. I'll try to find you a definition where I
14 provided item type.

15 [Pause.]

16 I believe in the response to your question number
17 13, I defined item types here. Item type is the type of
18 item classified by the following item type: express item,
19 non-express sack or pouch, envelope ^{trays} ~~tree~~, half-size envelope
20 ^{trays} ~~tree~~, flat ^{trays} ~~tree~~ or box, loose parcel or piece, CON-CONS,
21 bundle and other.

22 Q Now, refer, if you will, here, to this sentence
23 that I read to you. In the sampling process described here,
24 the data collector would record the weight of the sampled
25 piece.

1 A Are we still on question 18 or somewhere else?

2 Q Eighteen.

3 A Eighteen. Your question again? I'm sorry, I was
4 trying to find the --

5 Q When the data collector receives this container to
6 be sampled, he records the weight of the sampled mail. Is
7 that right?

8 A They count the number of the items --

9 Q He counts them?

10 A Is that a particular interrogatory asking for that
11 particular question? The preference is for data collector
12 to give me the percentage instead of number. That's the
13 preference. But if you ask this particular sentence where I
14 say data collector sometimes count the number of items in a
15 container --

16 Q Well, in the sentence before that, it says the
17 first step is to calculate the cubic feet for the sampled
18 item based on the recorded mail weight and density factor.
19 That result, the cubic feet, --

20 A Oh, okay. I see.

21 Q -- is multiplied by the number of items in the
22 container to obtain the unadjusted cubic feet for all items
23 with the same item type.

24 A Uh-huh.

25 Q Now, how is the multiplication process

1 accomplished by the number of items in the container if the
2 data collector does not count the items?

3 A This is talking about when data collector did not
4 give me the percent, instead they gave me the count, they
5 gave me the number. See, I would prefer they tell me the
6 percent, but if, really, they are in a situation that
7 counting the number is easier -- let's say they find that
8 there is only one sack -- or what is it you talked about?
9 You didn't say which particular item, right? And they could
10 record one for me, or they find two sacks or two parcels,
11 they could record two. If they did that, that's what I will
12 be doing. If they give me the percentage, then I don't need
13 this whole thing. Because they didn't give me the
14 percentage, so I had to impute, to use your word, I have to
15 impute cubic feet based on the number of items.

16 Q How do you determine the number of items if the
17 data collector doesn't count the contents of the container?

18 A In that particular case, they counted, they
19 counted two, then they write a two there, they enter two.
20 That's for -- this is just for that special situation. Most
21 of the time, they do not count, right, but under certain
22 circumstances, you know, they just count it, they give me a
23 number. Then based on that number, then I calculate the
24 cubic feet based on the number of items they entered and the
25 weight and the class of that mail piece.

1 Q The data collector samples the weight --

2 A Data collector --

3 Q They sample -- the data collector records the
4 weight of the sampled mail piece; is that correct?

5 A He does, yes.

6 Q All right. Now, is that weight then multiplied to
7 -- up to the size of the container?

8 A No. That weight then multiplied by the density
9 factor, that becomes the cubic feet of that sampled mail,
10 right? And then in that particular case, because they
11 didn't give me cubic feet, didn't give me percent, what I do
12 is I multiply that by the total number they told me, and
13 then I got the total cubic for that type of item.

14 Q In the Form C data that's included in the library
15 reference 52 CD, it's got a column entitled WT. I assume
16 that's weight; is that correct?

17 A For containerized --

18 Q If it's Form 3C, that relates to container, right?

19 A Oh, C. I'm sorry. You are talking about Table
20 8C? Oh, you're talking about Form 3C. Oh, okay. That's
21 the table 8B as in boy, 8B containers. Now, that WT is the
22 net weight of the mail they record, correct.

23 Q That's the recorded weight of the sample mail?

24 A Correct.

25 Q And if it's in a container, is that weight then

1 multiplied?

2 A If it's in a container, that weight -- actually,
3 it doesn't matter if it's in a container or not -- that
4 weight will be multiplied by the density factor.

5 Q And that is then multiplied by the number of items
6 in the container?

7 A So that particular example they're talking about,
8 if they gave me the number of the items in the container,
9 then I'll multiply that by the number of items in the
10 container, yes.

11 Q If they gave you the number of items, then the
12 number that would appear in the WT column would be the
13 combined weight?

14 A No. No. No.

15 Q So any mail that's sampled from a container, the
16 weight shown is the weight of one piece out of that
17 container?

18 A No. If it's loose piece, then that's one piece,
19 but if that isn't a loose piece, if that is in a letter tray
20 --

21 Q If a container contains solely --

22 A Loose pieces.

23 Q -- packages --

24 A Okay.

25 Q -- that have been sorted into that container at

1 the BMC, they're not in any kind of a container, they sample
2 one piece out of it, right?

3 A If it's a loose piece, they sample one piece. So
4 that weight is associated with that piece.

5 Q And there's no way to tell how many pieces of that
6 sampled mail were actually in a container.

7 A Normally, no. But under certain circumstances, as
8 I explained, data collector could give me the number instead
9 of the percentage. So there are two parallel ways -- two
10 possible ways data collector can record that information for
11 me. One way is the preferred way: I ask them to give me
12 the percentage of the container space taken up by that loose
13 parcel or loose piece. Then the other way is the
14 compromised way: They give me the number of that loose
15 item. So when they give me the number, I multiply by number
16 to calculate the cubic feet of that item type, which would
17 be the loose item type, then I adjust it with other types in
18 the container to the container capacity.

19 Q If the collector actually counts the pieces, where
20 does this count appear in the printout of Form 3C?

21 A Oh. N-O-I-T-E-M-S, that's the variable -- numbers
22 of items in the container, the same type of items in the
23 container.

24 Q But if you got -- that's N-O-I-T-E-M-S?

25 A Uh-huh.

1 Q If the number appears there is zero, what does
2 that mean?

3 A Either missing or zero means they gave me the
4 percentage instead of gave me the count. As I said, I
5 prefer they gave me zero or --

6 Q Well, what's --

7 A -- empty.

8 Q -- in the column P-E-R-C-O-N?

9 A Yes. That's the one I prefer to get.

10 Q That's the percentage in the container.

11 A Right. See, if you do not have the NOITEMS, you
12 would have PERCONT.

13 Q All right. And if there is an entry under
14 NOITEMS, number of items, that number would be multiplied by
15 the amount in the WT column to get the total weight?

16 A And multiply them by density factor to get total
17 --

18 Q By the density factor --

19 A Uh-huh.

20 Q -- and by the number.

21 A Uh-huh. But then it's not done yet, because, you
22 know, after that, I further adjusted to the container
23 capacity, okay? See, you know, because that's the estimated
24 number, right? Let's assume I have ten parcels. They have
25 different weight. And I -- data collector -- oh, ten --

1 usually they give me percentages. It's not a good number.
2 Let me give you three. They record three parcels, they pick
3 one then find out that it's one pound, right? Then I use
4 the density factor, multiply it by the density factor, then
5 whatever density factor is -- I don't quite remember --
6 seven or something. Anyway, then I multiply by three, now
7 gives me the estimated cubic feet for those three parcels.
8 But the fact I didn't do all three of them, how do I know
9 this estimated cubic feet works or not?

10 So what I do is then I look at the cubic feet of
11 the container, okay, then I adjust the estimated cubic feet
12 to the container cubic feet. That's how the process works.

13 Q You mean you adjusted the calculated cubic feet of
14 one parcel to the cubic feet of the container?

15 A I calculate the three parcels' cubic feet, then I
16 compare the three parcels' cubic feet to the container. If
17 we assume nothing else is in the container, right, we only
18 say -- we only assume parcels are the only thing found in
19 the container. If you have other items, then that has to be
20 taken into account as well.

21 Q All right. And if you had three pieces of mail,
22 one weighed two pounds, and that's the one he measured and
23 recorded, and the other two parcels weighed ten pounds each,
24 that wouldn't be taken into account at all in your TRACs
25 evaluation?

1 A I would record only one.

2 Q The one the data collector recorded.

3 A Uh-huh. Yes.

4 Q And the larger packages, then, would not be
5 reflected other than through the expansion process?

6 A If data collector happened to pick up the larger
7 one, I get larger one; if they happened to pick up the small
8 one, I get small one; and they pick all different kinds of
9 size. They do not supposed to say I only pick small one,
10 right, or I only pick large one. That will be problem. And
11 our data collectors are all trained data collectors and, you
12 know, they do not pick based on the size.

13 Q If you were a data collector and you had been
14 working for three or four hours and up comes this container,
15 you've got two packages in there on top, one a big one, one
16 a small one, which one are you going to pick up?

17 A I do what I'm supposed to. I do what the job
18 requires. I random select, but Mr. Wells, let me tell you,
19 that doesn't really matter, though. You know why? If in
20 that particular case, everything got adjusted back to the
21 container space, if they pick a small one while they
22 shouldn't be doing that, but, you know, in case they did
23 that, it's not going to impact my estimation, right. I
24 adjusted back to the capacity. That's the beauty of TRACs.
25 And we have all those control totals always. So we are okay

1 there.

2 Again, you know, I have to say something for them,
3 okay? They were audited, they were monitored, you know, I
4 haven't seen any report back saying they are doing things
5 they shouldn't be doing.

6 Q Turn to your number 19, please.

7 A Nineteen. Yes, I have it.

8 Q Focus on the responses to C and D.

9 A Uh-huh.

10 Q You say it could be any number from 1 to 8. How
11 does a data collector decide on the number of parcels or
12 sacks to be sampled?

13 A Let me read this.

14 [Pause.]

15 If the TRAC data -- 20 loose sacks are unloaded.
16 Yes. See, you didn't tell me what else is unloaded. That's
17 why I have to say it depends on how many, if there's other
18 non-containerized loose items were unloaded. If parcel is
19 the only loose items unloaded from the truck, then they
20 ^{sample}~~sample~~ 8, if that's the case.

21 Q You said 1 to 8.

22 A Yes, but I say if the parcel is the only one -- or
23 is the only item type that is unloaded. But if it is not,
24 if I have -- oh, which -- is it parcel or -- sacks. I'm
25 sorry.

1 If sacks are -- sacks is the only item type
2 unloaded, then I do 8, right? But if there is parcel on the
3 vehicle also gets unloaded, then parcel has to be sampled,
4 too. The total number of loose items are 8 -- is 8. That's
5 why I say between 1 to 8.

6 Q If there are 20 sacks and 20 parcels unloaded,
7 loose sacks and loose parcels, how many sacks and how many
8 parcels are selected by the data collector?

9 A That comes back to the same question you asked
10 before. It's based on their proportion of the utilization
11 on the vehicle.

12 Q Based on the square footage of floor space?

13 A Uh-huh. Correct.

14 Q For each sack that is selected, how many of each
15 item type contained in the sack are sampled?

16 A I didn't get that one, I'm sorry.

17 Q For each sack that is selected, how many of each
18 item type contained in the sack are sampled?

19 A Oh. Sack is item type. Everything in sack is
20 sampled. If a sack is selected, the whole sack is recorded.
21 He opens the sack and counts everything and record them.

22 Q Each item in the sack is then recorded?

23 A Each mail piece. Each mail piece.

24 Q Each mail piece in the sack?

25 A Uh-huh.

1 Q That's different --

2 A Yes.

3 Q That's different from if it's a container rather
4 than a sack?

5 A There is a difference between a container and a
6 sack, correct.

7 Q Well, the sack is opened and every mail piece is
8 sampled?

9 A Yes.

10 Q But on a container, one mail piece is sampled?

11 A Correct. No, no. I'm sorry. On a container, if
12 there is one item type, then only one gets sampled. A sack
13 is much smaller than container.

14 Q Turn to 21, please.

15 A I have it.

16 Q Now, WT, is that the actual recorded weight of the
17 sample mail?

18 A Uh-huh. Yes.

19 Q And you got this TOT WT.

20 A Yes.

21 Q Does that include the actual weight of the sample
22 mail?

23 A Yes. I said here the variable TOT WT is the gross
24 weight of a mail item. A mail item can be a letter tray, a
25 tub, a sack or a parcel.

1 Q But does total weight include the actual weight of
2 the sample parcel?

3 A It -- yes.

4 Q And it also includes the weight of a container.

5 A Oh, no. No. Because total weight is the gross
6 weight of item. See, in TRACs, item is defined as letter
7 tray, flat tub, a sack, a parcel, loose piece, a CON-CON.

8 Q Isn't a wheeled container an item?

9 A I'm sorry?

10 Q Isn't a wheeled container an item?

11 A No.

12 Q What is a wheeled container, then?

13 A It's a container.

14 Q A container.

15 A Uh-huh.

16 Q But a sack is not a container; it's an item?

17 A Sack is an item.

18 Q Well, does total weight include the weight of the
19 sack?

20 A If it's a sack's total weight, yes, the total
21 weight includes the sack's weight and the mail weight.

22 Q Is the total weight an actual recorded weight or a
23 calculated weight?

24 A It's actual recorded weight.

25 Q If a sample of a sack includes or reveals multiple

1 mail codes, each piece is weighed separately to determine
2 the weight; is that right?

3 A Repeat the last sentence again, sir.

4 Q Each piece of mail in the sack is weighed to
5 determine weight.

6 A Each mail piece in the sample.

7 Q You pull a sack to be sampled.

8 A Right.

9 Q And they open the sack, --

10 A Yes.

11 Q -- and they weigh each piece in the sack.

12 A They count every piece, then they group them
13 together, okay? Then they record for each group the number
14 of pieces and the weight for that group. The group is done
15 by rate category, by class or subclasses of mail.

16 Q All right.

17 Within the sack, there are three parcels, mail
18 code P.

19 A Okay.

20 Q How is the weight of the sack apportioned?

21 A How is the weight of the sack what?

22 Q Apportioned?

23 A Apportioned?

24 Q Yes.

25 A What do you mean, apportioned? Data collector

1 doesn't apportion them. They will record the sack's weight
2 as well as the parcels' weight. Very likely, if those
3 parcels are all standard B parcel, they will record as three
4 parcels and the weight for that as three parcels.

5 Q Well, suppose the sack contained 50 percent
6 standard A parcels and 50 percent standard B parcels, one
7 sack? How would the weight of the sack be apportioned --
8 allocated between those two?

9 A Oh. Then they will give me the total number of
10 standard A parcels in that sack and the total numbers of
11 standard B parcels in that sack, right?

12 Now, when I got that data back, I apply the
13 density factor for standard A and standard B individually
14 and get to the cubic feet a mile -- I'm sorry -- get the
15 cubic feet. I'm not talking about a mile. Get the cubic
16 feet for standard A and standard B in that sack.

17 Q And then what would be added in the total weight
18 column?

19 A I don't think that total weight would be used in
20 that context.

21 Q Well, if they are sacks and there's a difference
22 between the numbers shown in the weight column and the
23 numbers shown in the total weight column, what accounts for
24 the difference?

25 A Supposedly the total weight should be larger than

1 the mail weight in the sack, supposedly.

2 Q Yes, I know it's larger, but what does it include?

3 A Oh. The tare weight of the sacks -- of the sack.

4 Q The weight of the sack.

5 A Right.

6 Q Well, if there are two different classes of mail
7 in the sack, how is the weight of the sack allocated between
8 the two mail classes?

9 A The weight of the sack isn't allocated to mail
10 class. We --

11 Q Is the entire weight of the sack added to each
12 mail class?

13 A Not the weight of the sack. Why we need the
14 weight of the sack? I'm estimating cubic feet. Why do I
15 need the weight of the sack?

16 Q Well, I thought you told me that included in total
17 weight was the weight of the mail plus the weight of the
18 sack.

19 A Oh, correct, but that number isn't really used --
20 the total weight, which includes the mail weight and the
21 sack weight, isn't used in the expansion process. I don't
22 use that number for expansion.

23 Q Well, how is the number in the total weight column
24 used?

25 A It's more of a quality control thing. You know,

1 when data collector records number, we make them record that
2 total weight first, then break down to record pieces, weight
3 of the mail piece. Then if, accidentally, they've entered
4 something that doesn't make sense -- let's say they entered
5 the mail weight including one more zero -- then the software
6 will catch them to say, wait a minute, your total weight is
7 less than mail weight here, are you making a mistake or
8 something? So they have to correct it on the spot. This is
9 mostly for quality control, for data collection quality
10 control. It's not really used for my expansion.

11 Q Are the amounts shown in the total weight column
12 used in the development of your distribution key?

13 A For containerized, no. For loose sacks -- for
14 loose item, no. For pallets, no. So no.

15 Q All right. Well, to arrive at the weight that is
16 taken into account in the distribution key, we would take
17 the number in the weight column and multiply it by the
18 number that's in the item number column; is that correct?

19 A You are talking about my library reference table
20 now?

21 Q Actually looking at --

22 A Okay.

23 Q -- 43-L.

24 A L now. We are not up on ^{Sc}Ac, huh? We are at ^{Sc}AB
25 now? Oh, no, let me see. We are at ^{Sc}Ac. Yes. We are at ^{Sc}Ac

1 now. Okay.

2 Now, what's your question again?

3 Q Well, would you take the -- to get the total
4 weight of the sampled mail, would you take the number that
5 appears in the weight column and multiply it by the number
6 that appears in the item number column?

7 A No. Let me point to you where the formula is. If
8 you turn to my library reference 52, page 17, okay, I have
9 documented how exactly the loose item got expanded, okay?
10 Equation 2 tells you how the net weight of the mail, that
11 WT, is transferred or being calculated to the cubic feet of
12 the mail, then into gross cubic feet. You can see that W,
13 that little W there is WT in that column.

14 Q This relates to your expansion process, correct?

15 A Yes. That's what I documented here.

16 Q And what my question is, if I wanted to find out
17 the weight of the mail sampled, would I take the number
18 shown in the weight column and multiply it by the number of
19 items?

20 A No, you don't have number of item --

21 Q I don't have number of items?

22 A Which variable are you talking about in this table
23 that you are going to multiply? In that particular table,
24 which variable do you think you're going to use?

25 Q Refer, if you will, to number 22.

1 A Twenty-two of interrogatory response?

2 Q Interrogatory T1-22.

3 A Yes. I have it.

4 Q And you attached a table of vehicle utilization.

5 How were these percentages determined? I assume that the
6 numbers shown there are percentages?

7 A Yes, percent.

8 Q All right. How were those percentages determined?

9 A That's the 100 subtract percent of empty.

10 Q Well, this says, reading here, inter-BMC in Postal
11 Quarter 1 '98, 65 percent of the vehicle was utilized.

12 A Sixty percent of vehicle capacity.

13 Q Sixty-five percent of the vehicle capacity was
14 utilized.

15 A Yes.

16 Q And in Postal Quarter 4, 63 percent was utilized.

17 A Yes, for the FACCAT1 for that strata.

18 Q On that one line, I just want to be sure I
19 understand, am reading it correctly.

20 A Okay.

21 Q All right.

22 And inter-BMC for FACCAT1 and intra-BMC for
23 FACCAT1 and 4 are declining from the base year '98 through
24 Fiscal Year '99, according to this schedule?

25 A When you say decline, you are talking about each

1 percentage or in general?

2 Q Well, the trend of the recorded utilization.

3 A Well, I say for inter-BMC, FACCAT1 was 38 in '98,
4 then '99, it's 36, so that's smaller. But in quarter 2,
5 they are 44 percent versus 45, and it's a little larger.
6 Then quarter 3, again '99 is a little larger, isn't it?
7 Thirty-nine is in '99 and 38 is in '98. Yes. Then quarter
8 4 is a little lower. So it's all over. It's a little
9 larger in some quarters of '98, in some quarters in '99.

10 Q Turn to your number 23.

11 A Yes, I have it.

12 Q Explain to me again how sampling weights are
13 pertinent in the development of the distribution key?

14 A I assume you are talking about sampling weights
15 that I refer to in the response?

16 Q That's correct.

17 A Okay. That's the strata weights.

18 Q That's the strata weights?

19 A Uh-huh.

20 Q All right.

21 Turn to your answer to number 24.

22 A Yes, I have it.

23 Q Here you refer to library reference 52, table 8.
24 I do not find a table 8. I do find in appendix 1 a
25 paragraph 8 titled the Final Analysis (z File) at page 28.

1 Is that what you were referring to?

2 A I only got your first part saying you didn't find
3 the table number 8, so I tried to find the number 8 for you.

4 Q The copy I have for 52 does not have a table 8.

5 A It's on page 28 of the library reference. It
6 contains 8-A, 8-B, 8-C, 8-D.

7 Q Well, this is part of appendix 1 and it's
8 paragraph 8, but it's not a table 8. The tables are listed
9 in appendix 3 beginning on page 35, and I only see tables 1
10 through 4.

11 A Oh, okay. Oh.

12 Q When you say table 8, you're referring to the
13 paragraph number 8, appears on page 28?

14 A Oh, okay. I'm looking at the table of contents of
15 this library reference. Under appendix 1, file formats, do
16 you see table 1, 2, 3, 4, 5, 6, 7, 8, 9, 10? That's what I
17 refer to, table 8. The eighth one is the final analysis
18 file called a z file.

19 Q It's the number 8 under appendix 1.

20 A Correct.

21 Q Is that correct?

22 A That's correct.

23 Q All right.

24 A Okay. Sorry if that causes confusion.

25 CHAIRMAN GLEIMAN: Mr. Wells, do you have much

1 more to go, do you think? Give us a guesstimate.

2 MR. WELLS: Yes, sir. I've probably got at least
3 30 minutes more.

4 CHAIRMAN GLEIMAN: Well, if that's the case, I
5 think we're going to break now for lunch, if that wouldn't
6 break your cross up too much.

7 MR. WELLS: No.

8 CHAIRMAN GLEIMAN: And then we'll come back at two
9 o'clock and pick up from there. Thank you.

10 MR. WELLS: Thank you.

11 THE WITNESS: Thank you.

12 [Whereupon, at 1:03 p.m., the hearing was recessed
13 for lunch, to reconvene at 2:00 p.m.]

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1 A F T E R N O O N S E S S I O N

2 [2:01 p.m.]

3 CHAIRMAN GLEIMAN: Mr. Wells, whenever you are
4 ready to continue.

5 Whereupon,

6 JENNIFER XIE,
7 the witness on the stand at the time of the recess, having
8 been previously duly sworn, was further examined and
9 testified as follows:

10 FURTHER CROSS-EXAMINATION

11 BY MR. WELLS:

12 Q Ms. Xie, referring to Library Reference 52, under
13 the printout for form C for containers and form 3L for loose
14 items, there is shown data for WT net weight of mail. For
15 form pallet, there is nothing for WT. Why is that?16 A I'm sorry, I didn't catch which page you are
17 referring to.

18 Q Under the form 3C under Library Reference 52.

19 A Okay. Yes.

20 Q For containers and form 3L for loose items, the
21 printout shows data for net weight of mail. For the
22 printout on form pallet, there is no amount shown for net
23 weight of mail. How is the net weight of sample mail on
24 pallets determined?25 A Actually, I ^{answered} ~~insert~~ that question as one of the UPS

1 interrogatory responses. I will see if I can find that for
2 you. UPS-28. There I explained that the gross weight of
3 the sampled pallet is not used in the expansion process at
4 all.

5 Q What about the net weight of the mail on sample
6 pallets?

7 A Oh, net weight. That is also not relevant. On
8 pallets, that is not relevant. I probably do not have that
9 either. Let me double check.

10 Q I thought you used the net weight of mail to
11 determine the cubic feet.

12 A Yeah. If you look at pallets, Table 8D of that Z
13 file, there is no variable called the WT. Is that what you
14 were referring --

15 Q 8C is for loose items.

16 A 8D as dog, on page 30. There is no weight
17 variable for pallets. The reason is the weight of the mail
18 on the pallets isn't used for any purpose of expansion. I
19 will show you where the formula is for pallets. Now, you
20 can tell, there is no weight information come into play. On
21 page 17 of my Library Reference 52, Formula 1. Do you see
22 it?

23 Q I see it.

24 A Yeah. The only variables were used for pallets,
25are the height, the width of the pallets, and the length of the

1 pallets. Then multiply the percent of the pallet taken by
2 classes of mail.

3 Q And that will give you the cubic feet of the
4 sampled mail?

5 A No, they give me percent. Data collectors record
6 percent and the height, width and the length.

7 Q Right. But there is measured weight?

8 A Width.

9 Q The data collector does not take an actual weight
10 of the contents of a pallet?

11 A They record that.

12 Q He records the weight?

13 A They record the total pallet weight, but that is
14 an optional. That is optional. They don't necessarily need
15 to, but if they record the -- if they have that, they record
16 it as well. But I don't use them.

17 Q All right. In the CD-ROM attached to Library
18 Reference 52, a printout at the end of that reflects the
19 entry of the various variables described in Section 8.

20 A Say it is again, I'm sorry.

21 Q Are the amounts shown on the printout of Library
22 Reference 52 the recorded data by the data collector before
23 any expansion?

24 A Yes.

25 Q In the column headed "Miles," is that the total

1 miles for which transportation was provided for the sampled
2 mail?

3 A No, as I defined here ^{it} is the highway miles for
4 that -- for a particular leg. You know, ^{mail can} ~~American~~ travel
5 couple legs and each leg has it ~~S~~mile.

6 That miles, that variable miles, gives you that
7 miles. That's not a data collector recorded. That's the
8 mile we actually matched based on the origin and destination
9 they recorded.

10 Q The number that appears on the Miles column on the
11 printout, is that the total mileage?

12 A Let me see which printout you're talking about.
13 It may be easier for me to see.

14 Q I'm looking at Form 3-C.

15 A Oh, Form 3-C. Okay, now I see what you talk
16 about. Yes, that's what I was explaining to you.

17 Q Is that the total mileage?

18 A That's not the total mileage. That's the mileage
19 for that particular leg.

20 Let me see if I can explain that. A mail starts
21 from A and then to B and unload at C, okay? There are two
22 legs now.

23 This miles ~~were~~ ^{will} give you from A to B for that leg,
24 and ~~were~~ ^{will} give you B to C for the second leg, give you A to B
25 for the first leg, give you B to C ~~to~~ ^{for} second leg.

1 Q And both mileages are reflected in this column
2 headed miles?

3 A Correct.

4 Q So the miles shown in here represents the total
5 miles if you combine the two legs?

6 A Then if you combine, if you add first leg, second
7 leg, assume that's the only two leg that a mail traveled on
8 that particular truck, then that is the total miles of that
9 mail item traveled on that truck, on that particular truck.

10 Q Well, what I'm trying to find out is, the number
11 in the Miles column; is that for the last leg or for the
12 total?

13 A It's not for the total. That's the first answer
14 for the first part.

15 If it's for last leg or not, depends on which leg
16 it is referring to. Okay, now, in my Z file, the data
17 structure is for mail item I have each leg as separate
18 records.

19 The first records has some mile. If that first
20 record represent the last leg, then that mile is for that
21 last leg.

22 If the second records is for the next to the last
23 leg, then the miles for that leg. So that miles linked to
24 that leg, particular leg.

25 Q Is there anywhere in Library Reference 52 where we

1 can identify the mileage for each sample mail?

2 A Yes.

3 Q Where?

4 A First ^{of all} ~~four~~, that's only the mile for that item on
5 that truck, right? You understand that? On that truck?

6 Q The mileage from the place where that mail was put
7 on the truck --

8 A Right.

9 Q -- to the place where it was unloaded for
10 sampling?

11 A Right. You do PROC mean by that leg -- by the
12 mail item that give you all the miles for that mail item. I
13 use that term, sorry. You do -- you ~~use~~ summarize this
14 miles variable by the mail item.

15 Q Well, if you look at the printout for Form 3-L,
16 it's got a column in there, Miles. Now, is that the total
17 miles or just one leg?

18 A Still one leg.

19 Q Well, how do we find the total miles?

20 A Same thing as I said, you summarize it by that
21 item, by that particular item.

22 Q Where would that appear in the printout?

23 A No, it's not there. You have to add them up. I
24 give you detailed information. If you want add all leg
25 together, then you add them up.

1 Q Yes, but where does the detailed information
2 appear in Library Reference 52?

3 A Yes, that's the -- that's what I described in this
4 Table 8 under Appendix I.

5 This is the description for the final analysis
6 file I called Z file. It has four datasets.

7 One of them is the test header. The second one is
8 the Form 3-C, as you referred to it. I called it 8-B
9 containers.

10 And the third one is the loose items. The fourth
11 one is the pallets. These data in this Z file are all at
12 the level of as lower level as possible.

13 Q That's the data recorded by the data collectors?

14 A Based on the data recorded by data collectors.
15 But like this miles that isn't recorded by collectors,
16 right?

17 Q That's calculated from the origin and destination?

18 A Exactly right. I append that for you, so you can
19 just take that to do the expansion.

20 Q But the item numbers, the percentage of container
21 and the weights are all recorded by the data collector?

22 A Correct.

23 Q Before any expansion?

24 A Before any expansion.

25 Q There are three reports that are generated,

1 containers, loose mail, loose items and pallets, is that
2 right?

3 A Four. There's a header as well -- Header 8A. The
4 first table is called 8A on Table 28.

5 Q It doesn't have any data though, does it?

6 A Oh, it has data in them.

7 Q What?

8 A It has data in them. It has data in that dataset.

9 Q All right.

10 A Look at Empty -- it's a percent of truck empty,
11 percent of unloaded and loose Express Mail. Those are all
12 collected --

13 Q All four --

14 A -- and recorded by data collector.

15 Q And to find out the total TRACS sample we would
16 add the data from all four of those printouts?

17 A I have a program. I gave you a program that you
18 can use to read this four datasets to all levels expansion
19 and product distribution key. That program is there.

20 Q But there is no duplication between the four
21 printouts?

22 A No.

23 Q Okay. Refer to your answer to Number 29.

24 A Yes, I have it.

25 Q The interrogatory refers to the entire route and

1 you refer to the Intra BMC network.

2 A Yes.

3 Q What is the difference between Intra BMC network
4 and the entire route?

5 A In my notion "route" is a route, contains a couple
6 of trips and the Intra BMC network contains all the routes
7 under the contract, under Intra BMC contract. That is the
8 difference.

9 Q Would you agree that a reasonable distribution key
10 would reflect actual utilization of the Intra BMC capacity
11 over the Intra BMC network?

12 A What I said is that a reasonable distribution key
13 should reflect utilization of cubic foot mile of vehicle
14 capacity on the Intra BMC network by various classes and
15 subclasses of mail.

16 Q Refer to your testimony, page 5, beginning at line
17 5.

18 A Yes.

19 Q Explain how purchased transportation costs per
20 cubic foot mile are taken into account in the TRACS analysis
21 to determine the distribution key.

22 A I don't see cost per cubic foot miles here. If
23 that is your question, no, I do not use that.

24 Q Costs are not taken into account in determining
25 your distribution key?

1 A No.

2 Q No, they are not?

3 A No, they are not.

4 Q Okay. Why is transportation cost per cubic foot
5 included as part of your data?

6 A It is not used in the distribution key. Are you
7 asking why I don't use it?

8 Q Why is it in there if you don't use it?

9 A Oh, oh -- you mean I give you that variable in the
10 Z file?

11 Q Right.

12 A That is variable historically we used. We used
13 before and we have that variable there. I just left it
14 there. I didn't use them.

15 Q But you don't use it in your analysis?

16 A No, I don't use it in my analysis.

17 Q Refer to page 16 of your testimony.

18 A I have it.

19 Q And here you have got the base year '98, inter-BMC
20 costs, and the total cost is 259,271, correct?

21 A Correct.

22 Q And then over on page 25, you have got the same
23 inter-BMC costs and the same total, but the amount shown for
24 each mail category is different. Why is that?

25 A Oh, yeah, as I explained in my testimony, as well

1 as in one of the interrogatory responses, this table, Table
2 1, contains the revised cost, while the Table 10 was
3 developed based on a distribution key that had an error in
4 them. But the Table 10 numbers were used in the base year
5 transportation model, so I included that as a reference.

6 Q Well, is Table 1 the one that was calculated using
7 your distribution key?

8 A Both of them are mine. Unfortunately, I had an
9 error in the previous one, and I found that error and
10 corrected for it, but it was too late to revise the whole
11 CRA calculation, so I have to just reflect this here in my
12 testimony.

13 Q Well, for inter-BMC highway cost, which is the
14 correct distribution, that shown in Table 1 or that shown in
15 Table 10?

16 A Table 1.

17 Q Table 1.

18 A Yes.

19 Q And is the same thing true if you compare Table 2
20 with Table 10?

21 A Correct.

22 Q The Table 2 numbers are the correct numbers?

23 A Correct. As I stated in my testimony, page 8,
24 line 8, annual cost showed in Tables 1 through 4 are the
25 summaries of the quarterly costs, and I explained down there

1 for the ~~costs~~^{cause} of that revision.

2 Q Do you agree that inter-BMC transportation is from
3 an origin BMC to a destination BMC?

4 A Inter-BMC transportation referred to the
5 transportation whose costs accrued to the account number
6 53131.

7 Q And the transportation provided under that account
8 number is between BMCs?

9 A Mostly.

10 Q With a few intermediate stops?

11 A It should be. Let me refer to you how I define it
12 exactly. Now, inter-BMC contract primary carry mail between
13 BMCs. Primary. But stops may be made at SCFs.

14 Q All right. For inter-BMC transportation, your
15 TRACS samples at stratum 1 are taken at the destination BMC
16 for the inter-BMC transportation, is that correct?

17 A Yes.

18 Q Do you concur that mail code LL is for DBMC Parcel
19 Post?

20 A Mail code LL. Let me --

21 Q Library Reference 52, page 36.

22 A I will get there. Mail code LL is DBMC Parcel
23 Post, correct.

24 Q Explain how your TRACS samples reflect mail code
25 LL for inter-BMC transportation at the destination BMC?

1 A First of all, let me clarify TRACS distribution
2 key is not at the level of -- TRACS does not provide a
3 distribution key to DBMC Parcel Post. We did that right.

4 Now your question is how a DBMC parcel gets
5 sampled at destination BMC? Is that what you are --

6 Q How can a DBMC parcel be included at the -- in the
7 TRACS sampling of Inter BMC transportation where the sample
8 is taken at the destination BMC?

9 A Well, it is possible that mail entered the network
10 through ~~Inter~~^{Intra} BMC, then next leg is ~~Inter~~^{Intra} BMC. That mail
11 doesn't have to necessarily get into the ~~Inter~~^{Intra} BMC as the
12 first leg though. It could drop ship to a BMC under ~~Inter~~^{Intra}
13 BMC network. Can that be?

14 Q By definition a DBMC parcel --

15 A Right.

16 Q -- is entered into the mail stream at the
17 destination BMC and never uses Inter BMC transportation.

18 Now how can your TRACS sample reflect 20 percent
19 of the Inter BMC as being DBMC parcels?

20 A First of all, I don't know if the numbers you cite
21 is right -- 20 percent or something. I do not generate a
22 number at that level, but assume it is as what you say it
23 is. I still think there is a ~~change~~^{chance} though for a DBMC
24 parcel to be found in the Inter BMC destination, because I
25 am not sure if DBMC mail cannot travel on Inter BMC network

1 at all.

2 Q By definition a DBMC parcel is entered at the
3 destination BMC for delivery onto facilities served by that
4 destination BMC. Now how can it go Inter BMC to another
5 BMC?

6 A First of all, as I said, I don't know how
7 frequently that happens and again I don't really know if a
8 DBMC parcel shouldn't be travelling that way at all.

9 As I said, it could entered in another network, in
10 another contract type, then travelled to that leg, then get
11 caught at the BMC.

12 Q There are 404 samples taken in Inter BMC, the
13 first quarter?

14 A Yes, that is roughly right. Yes.

15 Q And 98 out of those 404 bear the Mail Code LL for
16 DBMC Parcel Post, which is an impossibility, isn't it?

17 A You said 98 --

18 Q 98 --

19 A -- tests has --

20 Q -- Mail Code LL.

21 A How do you find that 98?

22 Q I counted them.

23 A You counted them, but that 98, if you counted the
24 number of records in my Z file, is that how you counted?

25 Q Yes.

1 A That's -- it's even possible that is two or three
2 tests. You know, I don't know your -- if your number is the
3 number of tests or if you just count the records.

4 As you said, if it is records, one parcel can have
5 multiple records.

6 Q Well --

7 A I really don't know if the number -- if you wanted
8 to give me that exhibit or something, I will double-check
9 for you.

10 Q What I want to know is how can these experienced,
11 trained, qualified data processors, data collectors include
12 Inter BMC transportation parcels that are mailed under Mail
13 Code LL.

14 A I'll double-check that one. I don't think that
15 proportion can be that high. You are talking about 98
16 versus 404. That's like one out of four. I have something
17 I think I can check for you. Inter BMC, right?

18 Okay. Inter BMC, the total Inter BMC cubic foot
19 mile, only less than 3 percent of them are under LL. That
20 includes all the stops and all the tests. My distribution
21 key showed only less than 3 percent of total Inter BMC cubic
22 foot mile are for LL or the 98 you cited, if I divided that
23 by 404, gee, I got 25 percent, right? That cannot be right.
24 I tell you. I am just -- that just cannot be right.

25 Your proportion is -- it just isn't right.

1 Q It can't be right for any LL mail code to be
2 sampled as Inter BMC transportation as the destination BMC,
3 is it?

4 A You know, as I said, the total percent is only
5 less than three. That includes all the stops, not only the
6 destination BMC but also intermediate stops. That number is
7 only less than 3 percent, and how many that happened at the
8 end of the BMC, at the BMC facility I cannot check that
9 number for you now, but I suspect that will be even smaller,
10 so your proportion wouldn't work. Definitely that has
11 something wrong.

12 Q If that data collector did, in fact, record the
13 mail code LL, it should not have been recorded and should be
14 eliminated; shouldn't it?

15 A No, we don't ~~do~~ that, because -- let me ask you
16 if that mail get -- is somehow send to the wrong --

17 Q You mean the Postal Service sent it to the wrong
18 place?

19 A I tell you, if the mail sent it wrong, data
20 collector is going to record them, right? I mean, I'm not
21 saying this two percent are all mail that is sended wrong,
22 but I'm just telling you my software or my data collection
23 handbook shouldn't say, hey, you find that you are not
24 allowed to record that.

25 We record what they see. They must see that in

1 their test.

2 Now, to investigate why that show up, I guess
3 that's good question. I probably also be interesting in
4 that answer, but I would think that is very small chance,
5 based on the distribution key percentage I see here.

6 That doesn't happen that much as you expect it.
7 You know, DBMC shouldn't happen ^{too} ~~to~~ much at the inter-BMC
8 network. It didn't.

9 Q Well, let me ask you whether if mail coded LL,
10 which is DBMC mail, how can it properly appear in a TRACS
11 sample for inbound intra-BMC transportation?

12 A No, no. How can that be -- sorry, the last?

13 Q How can mail code LL, which is destination BMC,
14 mail delivered by a mailer to the destination BMC, for
15 distribution to a Postal facility served by that BMC, how
16 can it properly be included in a TRACS sample for inbound
17 intra-BMC?

18 A Now, we're talking about inbound intra-BMC, okay.

19 [Pause.]

20 For inbound intra-BMC, includes inbound BMC,
21 includes inbound SCF, and includes inbound others. So, if
22 mail happened to ~~find any of these places~~ ^{be found at any of} ~~it~~ ^{will} show up in
23 the Z file, the file you are looking at.

24 Q Well, LL cannot properly appear on inbound
25 movement, can it?

1 A Again, why not?

2 Q By definition of the mail code.

3 A See, there's a couple things you need to take into
4 consideration. This inbound and outbound definition on
5 TRACS is really based on -- it's really a TRACS definition.

6 You know, as I said, the transportation network
7 isn't composed by strictly BMC to SCF, then SCF back to BMC.

8 It stops at intermediate place, and it has a
9 possibility, you know, serves couple AOs and SCFs, so it
10 can. TRACS perform their tests at all those facilities.

11 And if it happened find mail under LL code -- I'm
12 sorry, called drop shipment of mail, it will record it.

13 And how does that mail get into that mail stream?
14 That really depend on is this the first leg transportation
15 or second leg or is that a final leg? Is that it? That can
16 be a complicated issue, how mail actually flows through
17 network.

18 Q Is there any possibility that an LL parcel can be
19 sampled on TRACS on the inbound movement at the BMC?

20 A Probably have some chance. I haven't studied to
21 know how frequently that happened. You know, may have some.

22 Q And you don't have any idea of what factors would
23 make that a reasonable and correct sample?

24 A Not really.

25 Q All right. In Library Reference 52, on page 2, it

1 provides that a read-in density factor is rate category.
2 Density factors are from Postal Quarter Four, Fiscal Year
3 '92. Is that the most recent study there is of density
4 factors?

5 A Yes, it is.

6 Q What about the more recent density factors for
7 Standard A mail?

8 A Whatever is showed in my table is the latest
9 density factors we have.

10 Q That you have? Or is that the Postal Service?

11 A Postal Service has.

12 Q So that if the Postal Service has produced density
13 studies for Standard B Parcel Post Mail for FY98, that's
14 incorrect?

15 A Say again.

16 Q It doesn't exist; is that right?

17 A I'm sorry, say it again.

18 Q If the Postal Service has produced density studies
19 for Standard B Parcel Post mail for FY98, then that doesn't
20 exist; is that your testimony?

21 A My testimony is that I do not have any density
22 factors that's more updated than this one.

23 Q Did you make --

24 A This is the best I have.

25 Q Did you make any inquiry as to available density

1 studies?

2 A Actually, our ^{neighbor} legal department is responsible for
3 performing density studies, and I ask them, and they said
4 that's the latest we have.

5 Q '92 is the last one they had?

6 A Yes, unfortunately.

7 Q In Library Reference 52, page 30, on the system
8 for pallets, --

9 A 30 what? Page 30?

10 Q Page 30. 8D as in dog, pallets. The third from
11 the last item on that page is percent. It is defined as
12 percent of mail on the pallet by mail category, referred to
13 as percent sign P. What does percent sign P designate?

14 A I couldn't find that ^{on mine.} ~~one.~~ Give me a minute.

15 Q Third from the bottom entry, percent.

16 A My last one is remain. Maybe --

17 Q Remain is the last item. The third from the last.

18 A Oh, third from. I'm sorry.

19 Q Percent.

20 A Oh, percent. I see that one now.

21 Q And what does the percent symbol P mean?

22 A Oh, that is the percent of mail on the pallet by
23 mail category.

24 Q In the printout, the highest percentage is 1, and
25 other percentages are 0.1 and 0.9. Does the one mean 100?

1 A Correct.

2 Q And 0.1 means 10 percent?

3 A Yeah, I don't have the data with me. Either from
4 zero to 1 or from 1 to 100. I would love to look at the
5 data for you. But, you know, if the range is between 0 to
6 1, then 0.1 means 10 percent. It depends on what is the
7 number, I don't have number in front. Let me try if I can
8 get that for you.

9 Q Turn, if you will, to your response to MPA
10 Interrogatory 5.

11 A I am still trying to find that for you. Give me a
12 minute to see if I can help you out there.

13 Q Fine.

14 A Okay. Okay. For pallet that percent is between
15 zero to 1.

16 Q So if the number 1 appears, that is 100 percent?

17 A It is 100 percent, correct.

18 Q Okay. Now, turn to MPA-5.

19 A Yes, I have it.

20 Q Tell me what a zero volume test is.

21 A What is your question?

22 Q What is a zero volume test?

23 A Zero volume test refers to a test when there was
24 no mail unloaded at all.

25 Q Does that mean no mail unloaded or no mail on the

1 truck?

2 A Unloaded.

3 Q Well, in your table there, you have got
4 percentages shown. Under inter-BMC, 13 percent is 13
5 percent of what?

6 A Tests.

7 Q 13 percent of all tests in inter-BMC had zero
8 volume unloaded?

9 A Correct.

10 Q And intra-BMC, 24 percent of the tests had no mail
11 unloaded?

12 A Correct.

13 Q And is it correct, from your answer, that there
14 were a total of 1,424 zero volume tests?

15 A Correct, for all the highway tests in FY '98.

16 Q All four of the tests?

17 A All four quarters.

18 Q All four quarters of these four transportation
19 systems?

20 A Yes.

21 Q Is there any way to determine where these zero
22 volume tests occurred on inter-BMC transportation?

23 A It said 13 percent for inter-BMC transportation is
24 zero volume tests.

25 Q Can we find out where those tests occurred?

1 A Oh, yes.

2 Q What will we look for?

3 A You look from that Z file.

4 Q In the Z file?

5 A Right.

6 Q And that will tell us where the tests occurred?

7 A Yes.

8 Q And that would occur if the column Unload is zero?

9 A Right.

10 Q Okay?

11 A Let me --

12 [Pause.]

13 Okay. Now, you look at the Z file under 8A Test
14 header, there is the column Unloaded. If Unloaded is zero,
15 you get those test IDs, right, and then you get those test
16 IDs, you look at that contract type for this test ID that's
17 in the same column, second variable called contract type,
18 then also give you the strata, which is FACCAT, that's the
19 strata code, so you know where this test is, which strata
20 that test is.

21 Q Refer, if you will, to the last sentence in your
22 response to MPA-5. Does that apply to intra-BMC?

23 [Pause.]

24 A What is your question again? Sorry. I'm reading
25 this interrogatory. I was reading this interrogatory. What

1 is your question again?

2 Q Does your last sentence apply to intra-BMC?

3 A My last sentence, I said most trips as defined by
4 its route trip number do not return to the origin. Yes.

5 Q You mean most intra-BMC start at a BMC but they do
6 not return to that BMC?

7 A No. You have to read it -- read the complete
8 sentence here. I said defined by its route trip number,
9 okay? If there is the truck going out from BMC facility,
10 then the same truck -- assume that the same truck comes
11 back, that becomes a different trip number.

12 Q I see.

13 A That's why it's --

14 Q You're not saying that the vehicle doesn't go back
15 to the origin; you're saying that the route trip number
16 doesn't go --

17 A Correct. Yes. That's how I define. Otherwise,
18 how do I identify a truck, right? I mean, and also, again,
19 as I was explaining to you, it's not always the case a truck
20 goes out and a truck comes back. If that is the case, then
21 you would see exact same number of frame units outbound and
22 inbound. But the fact that we have even different frame
23 units there tells me things are not that simple. A truck
24 might go there, but not directly go back from the same
25 route; therefore, it has different trip number. We define

1 as different trip.

2 MR. WELLS: Thank you.

3 Mr. Chairman, I have exceeded my knowledge of
4 TRACs and therefore have no more questions.

5 CHAIRMAN GLEIMAN: You're the first one that's
6 ever admitted to that; the rest of us just keep going.

7 [Laughter.]

8 CHAIRMAN GLEIMAN: United Parcel Service?

9 CROSS EXAMINATION

10 BY MR. McKEEVER:

11 Q Ms. Xie, John McKeever for United Parcel Service.
12 I just have a few questions for you.

13 Does the TRAC sample -- does TRACs sample
14 emergency contracts?

15 A No.

16 Q Does TRACs sample exceptional service movements?

17 A No.

18 Q Am I correct that emergency contracts and
19 exceptional service movements together made up almost 17
20 percent of total highway purchased transportation costs?

21 A I cannot verify the number for you here, but I'll
22 answer your question based on the assumption that it is what
23 you said it is.

24 MR. McKEEVER: All right. That's all I have, Mr.
25 Chairman.

1 CHAIRMAN GLEIMAN: Is there any follow-up?

2 Questions from the bench? No questions?

3 I have one question that I would like to ask you.

4 THE WITNESS: Okay.

5 CHAIRMAN GLEIMAN: When Mr. Wells was asking you
6 about sampling containers, you said that one piece is taken
7 out of the container, and that's the basis of the sample. I
8 understand -- I understand statistically what you went
9 through, but you indicated that you open the container, the
10 sampler takes one piece out and records that piece, and then
11 you do all your calculations.

12 In the R97 case, I believe it was the Postal
13 Service, but I could be mistaken, presented -- someone
14 presented a theory that if you had a truckload of parcels
15 and there were a whole bunch of small standard A parcels,
16 that the heavier, larger parcels would rise to the top and
17 that the smaller parcels would go to the bottom. And if
18 some people wince about this, I winced about it, too,
19 because it seems to defy the laws of gravity. But if you go
20 home and you fill up a box with a bunch of parcels, smaller
21 items, you will find out that, indeed, the smaller ones will
22 wind up on the bottom, or at least that was what I found
23 when I went home and tried this.

24 Now, my question is if, indeed, this theory is
25 correct -- and it wasn't my theory; again, I think it was

1 the Postal Service's theory -- when a person opens up a
2 truck and finds the parcel on the top to be the large
3 parcel, what happens with a smaller container, a container
4 on wheels? If you open it up and it's got a bunch of loose
5 parcels in it, does the same phenomenon occur, and do the
6 smaller parcels, the lighter-weight parcels, go to the
7 bottom, and if so, does that raise questions about the
8 accuracy of opening up for sampling purposes and taking one
9 parcel off the top? Might not you be getting a larger,
10 heavier parcel that you then use as the basis for sampling?

11 The question basically is, if you have garbage in,
12 you have garbage out, and if there's something that skews
13 the front-end in the sampling, then, you know, there is a
14 problem. So I'm just kind of curious as to what your
15 comment would be on that theory that was presented the last
16 time and its impact on your work.

17 THE WITNESS: First of all, first of all, this
18 granular theory, I think that's what you're talking about
19 that runs back to me. I thought it ^{wasn't} ~~was in~~ the Postal
20 Service theory. It was some theory that came up from some
21 intervenor or someone. It wasn't --

22 CHAIRMAN GLEIMAN: So the Postal Service doesn't
23 subscribe to that?

24 THE WITNESS: My understanding is not. I may be
25 wrong, but I wouldn't think there is enough evidence for

1 that -- that the truck opens up, only large parcel on top,
2 small parcel on bottom. But then that's one issue. But you
3 raised another issue I would like to clarify here, is that
4 only one piece is taken out from container. That's only if
5 that container has nothing else but a parcel.

6 CHAIRMAN GLEIMAN: I understood that. I was just
7 --

8 THE WITNESS: If there is some sack, we get sack
9 as well.

10 CHAIRMAN GLEIMAN: I understood that.

11 THE WITNESS: Right. Okay. Okay.

12 CHAIRMAN GLEIMAN: But parcels -- you know, a
13 container of parcels could have different size parcels, --

14 THE WITNESS: Right. Right. Right.

15 CHAIRMAN GLEIMAN: -- and I was asking the
16 question in that context. The Commission, my recollection
17 is, didn't subscribe to the theory, either, but I just was
18 kind of curious as to whether you had given any thought to
19 it because it could have an impact on the actual validity of
20 the sampling.

21 THE WITNESS: Yes. I thought about -- first of
22 all --

23 CHAIRMAN GLEIMAN: It could save the Postal
24 Service lots of money on parcel sorters; you just load a
25 truck, drive it around, and sort the parcels by size, at

1 least, that way.

2 [Laughter.]

3 CHAIRMAN GLEIMAN: If only we could have zip codes
4 that were bigger and smaller, then we could really get some
5 sorting.

6 [Laughter.]

7 THE WITNESS: First of all, Mr. Chairman, let me
8 answer the impact. If that granular theory is really true,
9 you always end up with large stuff on top, but if that whole
10 container's parcel are all standard B parcel, it doesn't
11 matter, okay? So there is no worry there. If they are all
12 standard A parcel, again no worry there, either, right?

13 CHAIRMAN GLEIMAN: It's only if they're mixed.

14 THE WITNESS: Yes.

15 CHAIRMAN GLEIMAN: It would only make a difference
16 if they were mixed and --

17 THE WITNESS: Exactly.

18 CHAIRMAN GLEIMAN: Sure.

19 THE WITNESS: Only makes difference if they are
20 mixed and if your -- I'm not sure if that's your theory or
21 somebody else's --

22 CHAIRMAN GLEIMAN: Someone else's.

23 THE WITNESS: If that theory is true, and it will
24 impact the mixed container with mixed size as well, right?

25 CHAIRMAN GLEIMAN: Yes.

1 THE WITNESS: If standard A and standard B parcels
2 are about the same, then it still doesn't matter. That
3 theory doesn't hold.

4 CHAIRMAN GLEIMAN: Well, but by definition, one
5 would think that from a density standpoint and a size
6 standpoint -- well, from a size standpoint, certainly
7 standard A parcels would be smaller than standard B parcels.
8 The density is a different issue. You could have a small
9 parcel that was a lot denser than a large box that had air
10 in it.

11 But in any event, I just was kind of curious --

12 THE WITNESS: Another point I would like to make
13 is our data collectors are not trained to pick top one as
14 well.

15 CHAIRMAN GLEIMAN: Well, that solves the problem,
16 then.

17 THE WITNESS: Right. They're supposed to select
18 randomly; didn't say, you select from top.

19 CHAIRMAN GLEIMAN: Okay. Thank you.

20 THE WITNESS: Sure.

21 CHAIRMAN GLEIMAN: Are there any other questions
22 from the bench?

23 Commissioner Covington has a couple of questions.

24 COMMISSIONER COVINGTON: Good afternoon, Ms. Xie.
25 I have just two general questions following on the

1 heels of what the Chairman just raised. The first one would
2 be, do you, as a project manager for the transportation cost
3 system, noticing that you've been there since August of
4 1997, do you keep up with what percentage of the samples you
5 do occur either out-haul or back-haul?

6 THE WITNESS: I allocate that sample, so yes, I --

7 COMMISSIONER COVINGTON: Okay. Well, how many
8 samples are done on an out-haul basis and how many samples
9 are done on a back-haul basis?

10 THE WITNESS: Yes. When you use out-haul and
11 back-haul, can I assume you are talking about outbound,
12 inbound?

13 COMMISSIONER COVINGTON: Yes. The outbound,
14 inbound, yes.

15 THE WITNESS: Okay. Okay. For intra-BMC and
16 intra-SCF, --

17 COMMISSIONER COVINGTON: Uh-huh.

18 THE WITNESS: -- those two are the only modes --
19 only contract types have this inbound-outbound, all right?

20 COMMISSIONER COVINGTON: Okay.

21 THE WITNESS: Let me answer you one by one. For
22 intra-SCF, okay, we have 47 percent of our tests allocated
23 to inbound and 53 allocated to outbound. That's again by
24 TRAC's definition of inbound and outbound. It's not really
25 all of the inbound movement are this haul and that haul.

1 The transportation ^{network} ~~now~~ isn't always using single haul for
2 routing.

3 Sometimes you can have a truck going out from SCF,
4 then stop at a couple facilities on the route, then the
5 truck comes back, may only stop at one facility or doesn't
6 stop at any facility, just go back directly, and sometimes
7 you even have situation as they are just -- you know, have
8 more one-direction trips.

9 In particular, this Intra SCF case -- I think I
10 have a little more outbound trips than inbound trips.

11 COMMISSIONER COVINGTON: Which would coincide with
12 the 53 percent versus the 47 percent?

13 THE WITNESS: Largely, yes.

14 COMMISSIONER COVINGTON: All right then, Dr. Xie,
15 another question. Now trucks outgoing from the BMC often
16 carry newspapers and periodicals and other classes of mail
17 that's time sensitive. Now while you are doing these TRACS
18 samplings how much does this delay that mail?

19 THE WITNESS: Okay, that is a good question. You
20 know, our goal is not to substantially delay the mail. In
21 average TRACS tests takes about two hours to do. What
22 happens is our data collector will work with the personnel
23 in mail operation and transportation to make sure we
24 minimize the impact to the mail transportation, to the mail
25 moving.

1 COMMISSIONER COVINGTON: Okay, so in other words
2 you are saying that those periodicals and other time
3 sensitive stuff is not really held up while you all are
4 reaching off into containers and things doing your sample?

5 THE WITNESS: They may get a hold on a couple
6 minutes or maximum, you know, the time the TRACS test is
7 performed, but as I said, the data collectors really work
8 with the people in the field to minimize that delay.

9 If they found some mail has to go first, they
10 record that first.

11 COMMISSIONER COVINGTON: Oh, they record it first.

12 THE WITNESS: Yes.

13 COMMISSIONER COVINGTON: Now one other general
14 question. Mr. Maxwell Wells alluded to this, and I feel
15 quite sure that you are familiar with the expansion process.

16 All right. I did my homework on this one, doctor.
17 Previously in R90 and in R97 this was a hot consideration
18 back then and it had been mentioned that this overall
19 expansion process brought about bias as it relates to what
20 it is that you do with your TRACS sampling, particularly I
21 think as it ties in with the distribution keys, and the
22 Commission historically could not tell from evidence and
23 from testimony that you all -- well, it may be prior to your
24 time -- but that the Service brought in just exactly how or
25 to what extent this bias occurred.

1 What new or what innovative are you all doing to
2 address the expansion process?

3 THE WITNESS: The expansion process I use now can
4 be proved. Mathematically we can prove the estimator that I
5 use --

6 COMMISSIONER COVINGTON: Like logarithms or --

7 THE WITNESS: I'm sorry?

8 COMMISSIONER COVINGTON: I am saying I remember as
9 a matter of fact it had been proposed at one time that you
10 could remove the empty space logarithm-wise or whatever
11 method they were employing back 10 years ago.

12 Are you using a simple formula?

13 THE WITNESS: I do not use log in my expansion
14 process. What I am doing is a simple expansion. The
15 expansion factor I used is just a reciprocal of the
16 selection probability, so I don't use log.

17 COMMISSIONER COVINGTON: Okay.

18 THE WITNESS: Now the empty space issue you
19 brought up is a little different from the expansion factor
20 that I referred to here. That empty space expansion is
21 actually done at the level of each test. It is actually
22 described in my document, in Library Reference 52, Formula
23 11 and 12. That is how the empty space adjustment is
24 applied.

25 COMMISSIONER COVINGTON: Library Reference 52,

1 Formula 11 --

2 THE WITNESS: -- and 12.

3 COMMISSIONER COVINGTON: All right. Let me ask
4 you this, and I will make this my last general question.

5 When you are dealing with the contents of a truck,
6 and you are talking about containers, is it easier for your
7 data collectors to do their jobs based on a container
8 expanded in field to capacity or it is better to work with a
9 container with maybe half that amount?

10 I am saying if I were a data collector and if I
11 was doing a TRACS sampling, is it easier for me to get my
12 data -- in other words, the more I have to work with is
13 better or the less I have to work with is better?

14 THE WITNESS: The "better" means for my
15 distribution key numbers?

16 COMMISSIONER COVINGTON: Correct.

17 THE WITNESS: You know, if you do it ^{the wrong} ~~one~~ way, more
18 may be causing more harm than doing less, ^{As long} ~~as well~~ as what
19 they are doing is what they are supposed to be doing, select
20 randomly, then it's better for them to follow the
21 procedure -- just do what procedure says.

22 COMMISSIONER COVINGTON: And that way you avoid
23 the data being skewed.

24 THE WITNESS: Right -- unless they can count every
25 single piece in the container.

1 COMMISSIONER COVINGTON: Which you don't have time
2 to do that.

3 THE WITNESS: Yes, which I don't. I don't want
4 them to go half-way, to tell me, oh, I literally counted
5 this five parcels and I ignored another letter tray. Then I
6 am going to have a problem.

7 COMMISSIONER COVINGTON: Okay. All right. Thank
8 you, Ms. Xie. That is all I have, Mr. Chairman.

9 CHAIRMAN GLEIMAN: Thank you, Commissioner
10 Covington.

11 Anyone else?

12 [No response.]

13 CHAIRMAN GLEIMAN: Well, that brings us to
14 follow-up as a result of questions from the bench.

15 Mr. McKeever?

16 FURTHER CROSS EXAMINATION

17 BY MR. MCKEEVER:

18 Q Dr. Xie --

19 A Yes.

20 Q Standard A parcels all weigh under 16 ounces, is
21 that right? Do you know that?

22 A It's probably right. I am not that sure.

23 Q Okay.

24 A I have to check DMM to tell you.

25 Q Don't parcels of that size normally travel in

1 sacks? Do you know? If you know.

2 A They could travel in sacks. I saw that. I saw
3 that, but I am not sure they all are supposed to be in
4 sacks.

5 Q All right, thank you.

6 CHAIRMAN GLEIMAN: Is there any further follow-up
7 as a result of questions from the bench or follow-up as a
8 result of follow-up?

9 If not, that brings us to redirect. Would you
10 like some time with your witness?

11 MR. HOLLIES: Yes, I would, and in light of the
12 fact that it might be timely, how about 15 minutes?

13 CHAIRMAN GLEIMAN: Oh, I think we can spare that.

14 [Recess.]

15 CHAIRMAN GLEIMAN: You may proceed when ready.

16 REDIRECT EXAMINATION

17 BY MR. HOLLIES:

18 Q Dr. Xie, has the documentation for TRACS changed
19 any since the last rate case?

20 A Oh, yes, it ^{has} ~~is~~. Actually, we did improve our
21 documentation for TRACS sampling system, based on A. ^{T.} ~~J.~~
22 Kearney's recommendation.

23 So now we explicitly list our expansion process,
24 as well as the production process in Library Reference for
25 each subsystem.

1 That makes it much easier to see if our expansion
2 process is biased or not. And it makes it easier for people
3 to understand the TRACS system.

4 Q Have you had an opportunity to consider the
5 discussion you had regarding ^{inter-BMC}~~inter-DBMC~~ trips and whether
6 the LL code should or could appropriately be found in your
7 data?

8 A Yes, I would follow on, if I may.

9 Q Yes.

10 A You know, TRACS data collectors record whatever
11 they see on the mail piece. If the mail piece is endorsed
12 as DBMC, they will record it. I think I explained that
13 earlier. I just want to emphasize that.

14 Now, for the reasons why they would find that on
15 those movements that you think it shouldn't happen that much
16 or shouldn't happen at all, I listed one when I answered
17 your question as to what I called a mis-send.

18 And thinking more about it, I think that also can
19 happen if it's a missort, missorted, or it is
20 ~~mis-entertained~~ ^{mis-entered}. It means they shouldn't be entered at that
21 facility, but by some reason, they entered at the wrong
22 facility, so they have been sent to the right facility.

23 Those are sort of the reasons that I forgot. I
24 guess another one would be if a customer returned a parcel,
25 and the data collectors pick up that parcel, see the

1 endorsement is DBMC, and they will record that mail piece as
2 DBMC.

3 So that's a couple reasons you might see why you
4 found this LL on those legs of the transportation.

5 Q Do any of the TRACS distribution keys rely on the
6 LL mail code alone?

7 A No.

8 Q Do you use them with the other Parcel Post mail
9 codes?

10 A Yes. It is combined with mail code P, Zone rated
11 -- I'll double-check that for you.

12 [Pause.]

13 But to answer your first part of question, it is
14 not stand-alone mail code.

15 Q That was the extent of my question.

16 A Okay.

17 MR. HOLLIES: Thank you. I have no further
18 questions at this point.

19 CHAIRMAN GLEIMAN: Is there any recross?

20 [No response.]

21 CHAIRMAN GLEIMAN: If there is no recross, Dr.
22 Xie, that completes your testimony here today. We
23 appreciate your contributions to our record, and your
24 appearance here today. We thank you, and you're excused.

25 [Witness excused.]

1 CHAIRMAN GLEIMAN: Mr. Rubin, I guess you have the
2 next witness. Whenever you are ready, you may proceed.

3 MR. RUBIN: The Postal Service calls Altaf
4 Taufique as its next witness.
5 Whereupon,

6 ALTAF H. TAUFIQUE,
7 a witness, having been called for examination on behalf of
8 the United States Postal Service and, having been first duly
9 sworn, was examined and testified as follows:

10 DIRECT EXAMINATION

11 MR. RUBIN:

12 Q Mr. Taufique, have you reviewed two copies of a
13 document designated USPS-T-38, entitled "Direct Testimony of
14 Altaf H. Taufique on Behalf of United States Postal
15 Service"?

16 A Is it here?

17 Q It has been --

18 A Given to the reporter.

19 Q Provided to the reporter.

20 A Yes, I reviewed it before. Yes.

21 Q But you reviewed that earlier today?

22 A Yes, sir.

23 Q And does this testimony include corrections that
24 were filed on February 18th?

25 A Yes, sir. There are two pages that reflected

1 correction.

2 Q Thank you. And was this testimony prepared by you
3 or under your supervision?

4 A Yes, sir.

5 Q And if you were to testify orally here today,
6 would this be your testimony?

7 A Yes, sir, it would be.

8 MR. RUBIN: I have provided the two copies of the
9 direct testimony of Altaf H. Taufique to the reporter, and I
10 ask that this testimony be entered into the record in this
11 proceeding.

12 CHAIRMAN GLEIMAN: Is there any objection?

13 [No response.]

14 CHAIRMAN GLEIMAN: Hearing none, the direct
15 testimony, corrected direct testimony of Witness Taufique
16 will be entered into evidence and not transcribed into the
17 record.

18 [Direct Testimony of Altaf H.
19 Taufique, USPS-T-38, was received
20 into evidence.]

21 CHAIRMAN GLEIMAN: Mr. Rubin, are there any
22 Category 2 references that are being sponsored by this
23 witness?

24 MR. RUBIN: Yes.

25 BY MR. RUBIN:

1 Q Mr. Taufique, are you able to sponsor Library
2 Reference I-167 into the record in this proceeding?

3 A Yes, sir. Those are my work papers, I sponsor
4 them.

5 CHAIRMAN GLEIMAN: And that is it?

6 MR. RUBIN: Yes, that is it.

7 CHAIRMAN GLEIMAN: The Library Reference in
8 question will be entered into evidence and not transcribed
9 into the record.

10 [Library Reference I-167 was
11 received into evidence.]

12 CHAIRMAN GLEIMAN: Mr. Taufique, have you had an
13 opportunity to examine the packet of designated written
14 cross-examination that was made available earlier today?

15 THE WITNESS: Yes, sir, I have looked at those.

16 CHAIRMAN GLEIMAN: And if those questions were
17 asked of you today, would your answers be the same as those
18 you previously provided in writing?

19 THE WITNESS: Yes, sir. Except there were some
20 corrections that were made on MPA/USPS-T21-1, that 1 on the
21 end changed to 2, and that correction is already there. And
22 on the PostCom/USPS-T38-1, three pages of my testimony in
23 R97-1 were included in that particular response, and those
24 are already there.

25 CHAIRMAN GLEIMAN: All right. Counsel, have you

1 provided the copies to the reporter, or would you? And once
2 that has been done, I will direct the reporter to receive
3 that material into evidence and transcribe it into the
4 record.

5 [Designation of Written
6 Cross-Examination of Altaf H.
7 Taufique, USPS-T-38, was received
8 into evidence and transcribed into
9 the record.]

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2000

Docket No. R2000-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE
(USPS-T-38)

Party

Alliance of Nonprofit Mailers

Interrogatories

ANM/USPS-T38-4
MH/USPS-T38-1-3
MPA/USPS-T21-2a-c redirected to T38
NNA/USPS-T38-2, 4-6
PFPA/USPS-T38-1-3, 6-7
PostCom/USPS-T38-1
UPS/USPS-T38-1

Coalition of Religious Press
Associations

ANM/USPS-T38-2, 7
CRPA/USPS-T38-1-19
NNA/USPS-T38-1
PFPA/USPS-T38-4-5

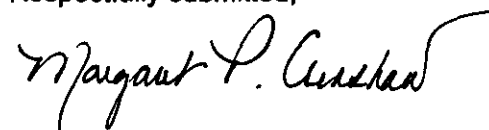
National Newspaper Association

ANM/USPS-T38-4
CRPA/USPS-T38-1, 4, 7, 13, 17-18
NNA/USPS-T38-1-2, 4-6
PFPA/USPS-T38-1, 5-6
UPS/USPS-T38-1

Professional Football Publication
Association, Inc.

PFPA/USPS-T38-1-6

Respectfully submitted,



Margaret P. Crenshaw

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE (T-38)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory:</u>	<u>Designating Parties:</u>
ANM/USPS-T38-2	CRPA
ANM/USPS-T38-4	ANM, NNA
ANM/USPS-T38-7	CRPA
CRPA/USPS-T38-1	CRPA, NNA
CRPA/USPS-T38-2	CRPA
CRPA/USPS-T38-3	CRPA
CRPA/USPS-T38-4	CRPA, NNA
CRPA/USPS-T38-5	CRPA
CRPA/USPS-T38-6	CRPA
CRPA/USPS-T38-7	CRPA, NNA
CRPA/USPS-T38-8	CRPA
CRPA/USPS-T38-9	CRPA
CRPA/USPS-T38-10	CRPA
CRPA/USPS-T38-11	CRPA
CRPA/USPS-T38-12	CRPA
CRPA/USPS-T38-13	CRPA, NNA
CRPA/USPS-T38-14	CRPA
CRPA/USPS-T38-15	CRPA
CRPA/USPS-T38-16	CRPA
CRPA/USPS-T38-17	CRPA, NNA
CRPA/USPS-T38-18	CRPA, NNA
CRPA/USPS-T38-19	CRPA
MH/USPS-T38-1	ANM
MH/USPS-T38-2	ANM
MH/USPS-T38-3	ANM
MPA/USPS-T21-2a redirected to T38	ANM
MPA/USPS-T21-2b redirected to T38	ANM
MPA/USPS-T21-2c redirected to T38	ANM
NNA/USPS-T38-1	CRPA, NNA
NNA/USPS-T38-2	ANM, NNA
NNA/USPS-T38-4	ANM, NNA
NNA/USPS-T38-5	ANM, NNA
NNA/USPS-T38-6	ANM, NNA

PFPA/USPS-T38-1	ANM, NNA, PFPA
PFPA/USPS-T38-2	ANM, PFPA
PFPA/USPS-T38-3	ANM, PFPA
PFPA/USPS-T38-4	CRPA, PFPA
PFPA/USPS-T38-5	CRPA, NNA, PFPA
PFPA/USPS-T38-6	ANM, NNA, PFPA
PFPA/USPS-T38-7	ANM
PostCom/USPS-T38-1	ANM
UPS/USPS-T38-1	ANM, NNA

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T38-2. Please produce a table showing the rate changes for nonprofit Periodicals mail that would follow from the Postal Service's proposed cost estimates if the existing statutory constraints on preferred rates remain unchanged. Please use a format comparable to the schedule on pages 25-26 of Attachment B to the USPS Request.

RESPONSE

The attached table presents the rates prepared in response to POIR No. 2, Question 1. As stated in my response to POIR No. 2, these rates were specifically prepared to meet the requirements of the POIR and do not constitute an alternate proposal of the Postal Service.

The underlying data linking these rates to the proposed mark-up, volume variable costs and volume forecasts for the test year are included in library reference I-203, in hardcopy and electronic form.

Attachment to Response to ANM/USPS-T38-2

Periodicals

Nonprofit Subclass

		Current	ANM/USPS-T38-2
	Postage Rate Unit	Rate (cents)	Rate (cents)
Per Pound			
Nonadvertising Portion:	Pound	15.6	18.2
Advertising Portion:			
Delivery Office	Pound	15.5	16.9
SCF	Pound	17.8	19.9
1&2	Pound	21.5	23.3
3	Pound	22.9	24.8
4	Pound	26.3	28.7
5	Pound	31.6	34.5
6	Pound	37.1	40.6
7	Pound	43.8	48.0
8	Pound	49.5	54.4
Per Piece			
Less Nonadvertising Factor		4.4	5.1
Required Preparation	Piece	25.1	27.7
Presorted to 3-digit	Piece	20.8	24.7
Presorted to 5-digit	Piece	18.3	21.5
Presorted to Carrier Route	Piece	11.3	13.4
Discounts:			
Prepared to Delivery Office	Piece	0.7	1.3
Prepared to SCF	Piece	0.4	0.7
High Density	Piece	1.9	3.2
Saturation	Piece	3.7	4.7
Automation Discounts for Automation Compatible Mail			
From Required:			
Prebarcoded letter size	Piece	6.2	5.3
Prebarcoded flats	Piece	4.6	3.3
From 3-Digit:			
Prebarcoded letter size	Piece	4.7	5.7
Prebarcoded flats	Piece	2.4	2.8
From 5-Digit:			
Prebarcoded letter size	Piece	3.5	4.3
Prebarcoded flats	Piece	2.1	2.2

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T38-4. This question refers to page 4, lines 21-22 of USPS-T-38, where you state that "The statistical systems that are used to estimate cost data for the various subclasses will become even more reliable if the Regular, Nonprofit and Classroom subclasses are combined into a single larger subclass. Both the volume and cost for the Outside County subclass should attain greater stability as a result of this combination."

- (a) In the phrase "even more reliable," what measures of reliability and stability did you have in mind?
- (b) Please produce (or cite, if already filed in this docket) all data, studies and analyses that support your belief that the cost data for nonprofit Periodicals mail are already "reliable" by those measures.
- (c) If the cost data are reliable, please explain why there is a problem with their stability.

RESPONSE

a-c. The quoted section of my testimony conveys the common sense notion that over time the repeated sampling of a larger, more stable population will exhibit less variation than the repeated sampling of a smaller, less stable population. This statement is purely comparative and makes no qualitative or quantitative statement about the current state of reliability. However, I understand other witnesses do address postal data systems, the uses to which postal data can be put, and why such uses may be appropriate.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF ALLIANCE OF NONPROFIT MAILERS**

ANM/USPS-T38-7. Note 1 to Schedule 421 of the Postal Service's proposed rates (USPS Request, Attachment B at 27) states that the rates in Schedule 421

also apply Nonprofit...and Classroom...rate categories. These categories receive a 5 percent discount on all components of postage except advertising pounds. Moreover, the 5 percent discount does not apply to commingled, nonsubscriber, nonrequestor, complimentary, and sample copy in excess of the 10 percent allowance under DMCS sections 412.34 and 413.42, or to Science of Agriculture mail.

- (a) Please confirm that the individual rates shown in the proposed Rate Schedule 421 (USPS Request, Attachment B at 25-26) do not reflect the 5 percent discount. If you do not confirm, explain fully.
- (b) Please produce a table, in the same format as Rate Schedule 421, showing the specific rates proposed by the Postal Service for nonprofit periodical mail.

RESPONSE:

- a. Confirmed.
- b. The attached chart provides the information requested. It should be noted that this chart was developed only to fulfill the requirement of this interrogatory and does not constitute the Postal Service's proposal. The Postal Service's proposal includes only one Outside County rate schedule with a 5 percent discount for Nonprofit and Classroom mailers on all components of postage except advertising pounds. It should also be noted that the rates in the Attachment would not calculate the exact same postage as proposed by the Postal Service due to rounding of rates in each cell.

Attachment to Response to ANM/USPS-T38-7

Periodicals

Nonprofit Subclass

	Postage Rate Unit	ANM/USPS-T38-7 Rate (cents)
Per Pound		
Nonadvertising Portion:	Pound	17.7
Advertising Portion:		
Delivery Office	Pound	18.0
SCF	Pound	21.0
1&2	Pound	24.7
3	Pound	26.3
4	Pound	30.2
5	Pound	36.1
6	Pound	42.3
7	Pound	49.9
8	Pound	56.3
Per Piece		
Less Nonadvertising Factor		6.3
Required Preparation	Piece	30.2
Presorted to 3-digit	Piece	26.0
Presorted to 5-digit	Piece	21.1
Presorted to Carrier Route	Piece	13.4
Discounts:		
Prepared to Delivery Office	Piece	2.0
Prepared to SCF	Piece	1.1
High Density	Piece	2.4
Saturation	Piece	4.1
Automation Discounts for Automation Compatible Mail		
From Required:		
Prebarcoded letter size	Piece	5.3
Prebarcoded flats	Piece	3.0
From 3-Digit:		
Prebarcoded letter size	Piece	4.3
Prebarcoded flats	Piece	2.6
From 5-Digit:		
Prebarcoded letter size	Piece	4.6
Prebarcoded flats	Piece	2.7

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-1. Referring to your proposal in Docket MC99-3 to solve the "anomaly" between Nonprofit and Regular Rate Periodicals, see USPS-T-1, at 7, you there stated that "This proposed classification change is also consistent with criteria 2 and 5, by maintaining the special Nonprofit and Classroom classifications, rather than pushing Nonprofit and Classroom mailers into the Regular subclass." Your testimony in R2000-1, however, proposes to eliminate these classifications by, in your words, "formation of an Outside County subclass...". USPS-T-38 at 1.

Please reconcile these statements made in MC99-3 which was decided less than a year ago, with your foregoing statement in this case.

RESPONSE

The purpose of filing Docket No. MC99-3 was to assure that Nonprofit Periodicals mailers were not required to pay higher postage than their Regular counterparts for mail with identical characteristics. To achieve that objective, the Postal Service requested and the Commission recommended that Nonprofit mailers have the flexibility to shift between the Regular and Nonprofit rate schedules on an issue-by-issue basis. The Postal Service also requested that less than 10 percent advertising be counted as 0 percent advertising for Nonprofit mailers, even if they were using the Regular schedule. Also, at the time of filing, the Postal Service hoped that rate anomalies could be avoided in the next omnibus filing. See Docket No. MC99-3, USPS-T-1, p. 3, lines 16-18.

The hope during Docket No. MC99-3 was that rate anomalies could be avoided without changing the subclasses. In preparation of Docket No. R2000-1, however, it became clear that rate anomalies were a more persistent problem. The Postal Service was faced with the choice between proposing more rate anomalies or seeking a change in RFRA that would solve this problem in the

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS

CRPA/USPS-T38-1, page 2 of 2.

current as well as future filings. Recognizing that rate anomalies could be a long-term problem, the Postal Service opted for the latter option, which would guarantee that preferred publications would pay lower postage than a comparable Regular publication.

There is no inconsistency between my statement in Docket MC99-3 and the proposal to form an Outside County subclass in the current docket in the sense that in both situations the desire was to ensure that Nonprofit mail would pay no more than Regular mail of identical characteristics.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-2. Why is USPS maintaining eligibility of Nonprofit and Classroom mailers using Rate Schedule 421 to claim 100 percent editorial content if they have 10 percent or less advertising content in light of the desire of USPS to "simplify" the Periodicals Class by making the rates for Nonprofit periodicals practically identical to Regular Rates, and by the proposal to eliminate Nonprofit Periodicals as a separate subclass?

RESPONSE

This was done in recognition of the preferred status of Nonprofit mailers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-3.

- (a) How many periodical nonprofit permits are currently active?
- (b) How many periodical regular rate permits are currently active?
- (c) How many nonprofit periodicals pay regular-rates as a result of the decision in Docket MC99-3?
- (d) If the rates that you propose are implemented by creation of the Outside County Subclass, how many nonprofit periodicals will pay lower rates than they would otherwise pay if the subclasses had been kept separate as illustrated in your response to ANM/USPS-T-38-2 and in your response to POIR No.2, Question 1?

RESPONSE

- a) 9,679.
- b) 22,798.
- c) Records show that there are 1,218 Nonprofit Periodical permits that mail both under Nonprofit and Regular rates.
- d) It is not possible for me to calculate the impact of the proposed rate schedules on each individual mailer. The overall increase for Nonprofit Periodicals would be lower under the Outside County subclass scenario, compared to a stand-alone Nonprofit rate schedule.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS T38-4. On p.2 of your testimony, you state: "Only in some instances when Regular rates are combined with some relatively large Regular discounts, a preferred mailer may pay lower postage using the Regular schedule rather than the preferred rate schedule."

- (a) Are there currently more instances when a preferred mailer may pay lower postage using the Regular schedule because of "relatively large Regular discounts" than instances when a preferred mailer would pay higher postage using the Regular schedule?
- (b) Identify the "relatively large Regular discounts" to which you refer
- (c) Would one alternative to creation of an Outside County Subclass which combines Regular, Nonprofit and Classroom publications be adjustments to the "relatively large Regular discounts" to which your testimony refers?

RESPONSE

- a) Based on the number of permits that utilize both Nonprofit and Regular schedules (see my response to CRPA-T38-3, part c), only 1218 out of 9,679 active Nonprofit permits are using both schedules. This shows that approximately 12.6 percent of active Nonprofit permit holders may have found their postage calculated under the Regular schedule lower than when using the Nonprofit schedule. But depending on the volume mailed by these mailers the percent of volume paying lower postage using Regular schedule could be significantly higher or lower.
- b) One relatively large discount that causes this anomaly is the per piece editorial discount. Currently, this discount for Regular is \$0.00059 for each 1 percent of nonadvertising content compared to \$0.00044 for Nonprofit. Also the SCF and DDU dropshipment discounts for Regular are larger than for Nonprofit.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

- c) There are two possible ways of adjusting the discounts. One is to reduce the discounts for Regular mailers and the other would be to increase the discounts for preferred mailers. Limiting the increase in the Regular editorial discount significantly below the overall increase carries the risk that periodicals with less advertising would face larger increases than periodicals with more advertising. The alternative possibility is to increase the editorial discount for preferred classes, but like any other discount it is a leakage from the revenue stream and would lead to higher increases in other rate calls. Given the overall increase, that was not deemed to be a desirable option. Another problem with adjusting the discounts is that, generally, the dropship discounts are based on actual cost savings as measured for the respective subclasses.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-5. Please demonstrate how USPS-T-32, Exhibit USPS-32B, p.1, validates your statement on p.3 of your testimony, line 14, that Periodicals' costs have increased at a higher rate than most other mail classes. If the referred Exhibit does not demonstrate what you claim, please identify and reproduce in your answer any other data presented by USPS in this case, with sources cited, that verify your statement.

RESPONSE

In my testimony the citation of USPS-T-32, Exhibit USPS-32B, p.1 was used to show the low cost coverage proposed by witness Mayes for the Periodicals subclass. The statement regarding the increases in Periodicals' costs being higher than most other classes can be indirectly verified by looking at Exhibit USPS-32D, page 1 of 1, where witness Mayes presents the summary of changes in proposed over current rates. The rate increase for Outside County Periodicals is 12.7 % even though this subclass has the lowest cost coverage. Also, witness Bernstein (USPS-T-41) presents the change in Marginal cost in Table 14D of his testimony. My understanding is that this table compares TYBR costs filed by the Postal Service in Docket No. R97-1 to TYBR costs filed in the current docket. This table supports my statement on page 3, line 14 of my testimony.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-6. On p.3, line 5 of your testimony you state that "half the Regular mark-up" will not keep preferred postage below Regular postage in all instances when the Periodicals markup is low.

- (a) Confirm that when the Periodicals markup was not "low", that some periodicals which qualified for nonprofit rates mailed at regular rates.
- (b) Confirm that during these years referred to in (a), some periodicals that qualified for nonprofit periodical rates mailed at third-class (Standard A) nonprofit rates.
- (c) If you confirm (a) and (b), please illustrate why these periodicals would have chosen not to mail at a "preferred" rate for which they qualified.
- (d) If "half of the Regular markup won't keep preferred rates lower all instances at present, would some other percent of the Regular markup achieve that goal, assuming that the goal is desirable to begin with?

RESPONSE

- a) I cannot confirm the statement, but it is possible that some periodicals that qualified for Nonprofit rates mailed at Regular rates.
- b) I cannot confirm the statement, but it is possible that some periodicals that qualified for Nonprofit Periodicals rates mailed at Standard (A) nonprofit rates.
- c) Not Applicable.
- d) Given the fact that the Regular mark-up is so small, I do not expect that a smaller fraction would have led to the desired result, i.e. mail with identical characteristics should find the Nonprofit schedule lower than the Regular schedule in all instances.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-7. Explain why "legislative change is the only certain way to avoid rate anomalies in the current rate case as well as future proceedings", when you premise your statement on a "potential", not a certainty, that there will be "relatively low Periodicals markups in the near future". USPS-T-38 at 4. lines 14-15.

RESPONSE

My statement on page 4, lines 13-15 reads "Given the potential of relatively low Periodicals markups in the near future, this legislative change is the only certain way to avoid rate anomalies in the current rate case as well as future proceedings." Relatively low markups are not certain, but if the low Regular Periodicals markups continue, then I believe that the only certain way to avoid rate anomalies is the proposed legislative change.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-8.

(a) Is it true that if some costs now attributed to Periodicals were found to be non-variable institutional costs; that the markup for Periodicals would be higher, all other factors being held constant?

(b) If the result described in (a) occurred, would legislative change be the only certain way to avoid rate anomalies like those that you describe?

RESPONSE

a) Depending on the proportion of costs moved from attributed to institutional, it is possible that the Postal Service would be in a position to propose a higher markup for Periodicals.

b) As I have stated in my testimony "Given the potential of relatively low Periodicals markups in the near future, this legislative change is the only certain way to avoid rate anomalies in the current rate case as well as future proceedings." But if the markups are higher, then legislative change might not be required to avoid rate anomalies. The proposed legislative change would nonetheless provide a more direct method to ensure lower Nonprofit postage than Regular postage for mail of identical characteristics.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-9.

- (a) Are you certain that if the "5%" solution for Nonprofit Periodicals were adopted, that rates for nonprofit periodicals reclassified to Outside County, would be lower than regular rate periodicals in every instance?
- (b) If your answer to (a) is no, or that you don't know, identify or give examples of which kinds of regular rate periodicals would continue to have rates lower than nonprofit periodicals.
- (c) If you provide examples as requested in (b), is it your opinion that most nonprofit periodicals, (as opposed to volumes per se) would find themselves in a situation where their rates would exceed rates for those regular rate periodicals identified in (b)?

RESPONSE

- a) I am certain that mail with identical characteristics would pay lower postage with a 5 percent discount than without a 5 percent discount. So if two mailers, one with Nonprofit qualification and the other without, have identical pieces, and presort, automate and dropship their mail to the same level, than the one with the Nonprofit discount would have lower postage compared to the other.
- b) Not applicable.
- c) Not applicable

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-10. Would the increase for a separate Nonprofit Subclass like that set forth in your response to ANM/USPS-T-38-2 exceed the increase of 12.7 percent which you project for the Outside County subclass on p.5 of your testimony?

RESPONSE

Yes. The overall percent increase for the Nonprofit subclass would be greater than the 12.7 percent increase for the Outside County subclass.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF COALITION OF RELIGIOUS PRESS
ASSOCIATIONS**

CRPA/USPS-T38-11.

(a) Using the billing determinants for periodicals now in the periodical nonprofit subclass, and using the costs, weight and volumes found in the Cost and Revenue Reports set forth in the testimonies of witnesses Kashani and Meehan, assuming current subclasses were maintained in the test year, would the attributable cost per piece for an average (e.g., as set forth in the CRA data) nonprofit periodical in the test year be higher or lower than an average regular rate periodical in the test year, and what would those respective figures be? (b) If your answer to (a) is that the average attributable cost for a nonprofit periodical would be lower than that for a regular rate periodical, why would legislation to eliminate a separate classification for nonprofit periodical mail be the best solution for the so-called rate anomaly that you discuss?

RESPONSE

- a) The cost per piece for Regular Periodicals in the Test Year is 26.262 cents, LR-I-167, Spreadsheet OC-G, page 1 of 1 (TYBR cost (w/o contingency) divided by TY Before Rates Volume). The cost per piece for Nonprofit Periodicals in the Test Year is 18.483 cents, LR-I-167, Spreadsheet OC-G, page 1 of 1 (TYBR cost (w/o contingency) divided by TY Before Rates Volume). Therefore, the average cost per piece for Nonprofit Periodicals is lower than the average cost per piece for Regular Periodicals.
- b) The legislation to combine the Regular, Nonprofit and Classroom subclasses into one Outside County subclasses to avoid rate anomalies is necessary because the final rates are based on a variety of factors including billing determinants (weight of the piece, editorial content, distribution of advertising pounds to various zones, level of presort, volume of barcoded pieces and dropshipped volume at various destination facilities, etc.), volume variable costs, cost saving estimates for worksharing, and the proposed cost coverage. Given these factors, the rates that resulted for the Regular and

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CRPA/USPS-T38-11, page 2 of 2

Nonprofit subclasses in Docket No. R97-1 caused the anomaly that is discussed in my testimony. The rate anomalies concern the Regular and preferred rates for mail of the same characteristics, and thus with the same costs. Average costs for the Regular and preferred classes are not directly related to rate anomalies.

I disagree with the characterization "so-called rate anomaly" in your question. Nonprofit mailers, the Postal Service, and the Commission all agreed on the existence of this anomaly. The Postal Service filed Docket No. MC99-3 to provide an alternative to Nonprofit mailers and the Commission recommended the proposed changes which were subsequently approved by the Board of Governors.

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CRPA/USPS-T38-12.

(a) Why is USPS using delivery unit cost data for Standard A mail to calculate delivery unit costs for Periodicals? See, USPS-T-38, at 11, lines 6-8.

(b) What particular delivery costs and functions are referred to on p. 11 of your testimony?

RESPONSE

a) Delivery cost estimates for Standard (A) provide the best proxy.

b) The delivery costs referred to in my testimony are in LR-I-167, Spreadsheet

OC-H, page 1 of 1. Witness Daniel (USPS-T-28) discusses the derivation of these estimates.

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CRPA/USPS-T38-13. Do you agree with the following statement: "There is no basis for granting discounts which are much larger than the Postal Service savings."

RESPONSE

No.

Section 39 U.S.C. § 3622(b), criterion number 4 requires the Postal Service to take into account the effect of rate increases upon the general public, business mail users, and enterprises in the private sector of the economy engaged in the delivery of mail matter other than letters.

Given the magnitude of the overall increase and lower cost savings for barcoded mail, the Postal Service proposes to mitigate the impact of this rate increase for mailers that prepare barcoded pieces. Passthroughs are a tool to mitigate the impact of changing operational and cost conditions. For instance, in Docket No. R97-1, I used less than 100 percent passthroughs for more finely presorted and barcoded mail to mitigate the impact of a rate increase on mailers that prepared less presorted and non-automated mail.

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CRPA/USPS-T38-14. If a mailer receives a worksharing discount that exceeds the savings caused by the worksharing, does this excess cause other mailers in the same subclass to pay a rate higher than otherwise would be the case? If your answer is affirmative, please give an example.

RESPONSE

Yes. Assuming a given cost coverage the impact of any worksharing discount increases the overall revenue required from the rest of the subclass and flows through all the rate cells.

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CRPA/USPS-T38-15. Please fill in the per-piece periodical nonprofit and regular per-piece rates for carrier sorted pieces for the following years:
1/1/95 1/1/96 1/1/97 1/1/98 1/1/99 1/1/00 1/1/01(if R2000 rates ok'd)

non-profit

regular rate

RESPONSE

Basic Carrier Route Rate

	Regular Rate Cents	Nonprofit Cents
January 1, 1995	13.9	11.1
January 1, 1996	13.9	11.2
January 1, 1997	11.9	10.4
January 1, 1998	11.9	10.5
January 1, 1999	11.9	10.7
January 1, 2000	12.2	11.3

The proposed Carrier Route rate for the Outside County subclass is 14.1 cents.

Nonprofit and Classroom mailers receive a 5 percent discount on all postage elements except advertising pounds.

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CRPA/USPS-T38-16. What is the correlation between carrier-route sorted mail and mail which is entered in SCF and in DDU destination facilities? If USPS has documentation of such a correlation, please produce such documentation and/or evidence.

RESPONSE

Mail entered at the Destination Delivery Unit (DDU) is required to be Carrier Route sorted. Destination SCF mail is not required to be Carrier Route sorted, but could contain some Carrier Route sorted mail. Beyond this, I am not aware of any correlation.

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CRPA/USPS-T38-17. Your rates passthrough 112% of avoided costs for pieces in the Outside County subclass (proposed) sorted to carrier route. USPS-T-38 at 12. You likewise passthrough 109% of savings for Basic automation pieces in this subclass, and 119% for three-digit Automation pieces, Id, at 13. You do not specify a passthrough for five-digit Automation pieces in this subclass.

(a) What is your proposed passthrough of costs savings for five-digit Automation pieces in this category?

(b) If all per-piece rates passed through 100% of costs savings, what per-piece rates would you propose

(1) for the proposed Outside County subclass?

(2) for separate Regular and Non-Profit Subclasses as illustrated in your response to POIR 2, Question 1?

RESPONSE

a) The passthrough for the 5-Digit automation category is 284 percent.

b) 1. Please see the attachment labeled Periodicals Outside County Rate –

CRPA/USPS-T38-17b. 1 Rates

2. Please see the attachments labeled: Regular – POIR 2 Rates

Adjusted for CRPA/USPS-T38-17b. 2 and Nonprofit – POIR 2 Rates

Adjusted for CRPA/USPS-T38-17b. 2.

Attachment to CRPA/USPS-T38-17 b. 1

PERIODICALS OUTSIDE COUNTY RATE - CRPA/USPS-T-38-17b. 1 RATES*

	CRPA 17b.1
	Rate
Outside County Rate Pounds	
Delivery Unit	\$ 0.182
SCF	\$ 0.212
Zones 1&2	\$ 0.249
Zone 3	\$ 0.264
Zone 4	\$ 0.304
Zone 5	\$ 0.363
Zone 6	\$ 0.425
Zone 7	\$ 0.501
Zone 8	\$ 0.565
Nonadvertising	\$ 0.187
Outside County Rate Places	
BASIC NON-AUTOMATION	\$ 0.308
BASIC AUTOMATION LETTER	\$ 0.122
BASIC AUTOMATION FLAT	\$ 0.279
3-DIGIT NON-AUTOMATION	\$ 0.264
3-DIGIT AUTOMATION LETTER	\$ 0.086
3-DIGIT AUTOMATION FLAT	\$ 0.241
5-DIGIT NON-AUTOMATION	\$ 0.212
5-DIGIT AUTOMATION LETTER	\$ 0.020
5-DIGIT AUTOMATION FLAT	\$ 0.202
CARRIER ROUTE BASIC	\$ 0.149
CARRIER ROUTE HIGH DENSITY	\$ 0.115
CARRIER ROUTE SATURATION	\$ 0.108
PERCENTAGE EDITORIAL DISCOUNT	\$ (0.066)
WKSHARING DISCNTDELIVERY OFFI	\$ (0.021)
WKSHARING DISCNT SCF ENTRY	\$ (0.012)

* Nonprofit and Classroom mailers pay the same rates and receive a 5% discount on postage.
Discount is not applicable to advertising pound postage

Attachment to CRPA/USPS- T38-17b.2

REGULAR - POIR 2 RATES ADJUSTED FOR CRPA/USPS-T38-17b.2

	CRPA 17b.2 Rate
Regular Pounds	
Delivery Unit	\$ 0.171
SCF	\$ 0.200
Zones 1&2	\$ 0.235
Zone 3	\$ 0.250
Zone 4	\$ 0.288
Zone 5	\$ 0.347
Zone 6	\$ 0.408
Zone 7	\$ 0.482
Zone 8	\$ 0.545
Nonadvertising	\$ 0.178
Regular Pieces	
BASIC NON-AUTOMATION	\$ 0.311
BASIC AUTOMATION LETTER	\$ 0.125
BASIC AUTOMATION FLAT	\$ 0.282
3-DIGIT NON-AUTOMATION	\$ 0.267
3-DIGIT AUTOMATION LETTER	\$ 0.089
3-DIGIT AUTOMATION FLAT	\$ 0.244
5-DIGIT NON-AUTOMATION	\$ 0.215
5-DIGIT AUTOMATION LETTER	\$ 0.023
5-DIGIT AUTOMATION FLAT	\$ 0.205
CARRIER ROUTE BASIC	\$ 0.152
CARRIER ROUTE HIGH DENSITY	\$ 0.118
CARRIER ROUTE SATURATION	\$ 0.111
PERCENTAGE EDITORIAL DISCOUNT	\$ (0.065)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	\$ (0.021)
WKSHARING DISCNT SCF ENTRY	\$ (0.012)

Attachment to CRPA/USPS- T38-17b. 2

NONPROFIT - POIR 2 RATES ADJUSTED FOR CRPA/USPS-T38-17b. 2

CRPA 17B. 2 Rate	
Nonprofit Pounds	
Delivery Unit	\$ 0.171
SCF	\$ 0.200
Zones 1&2	\$ 0.235
Zone 3	\$ 0.250
Zone 4	\$ 0.288
Zone 5	\$ 0.347
Zone 6	\$ 0.408
Zone 7	\$ 0.482
Zone 8	\$ 0.545
Nonadvertising	\$ 0.180
Nonprofit Pieces	
BASIC NON-AUTOMATION	\$ 0.281
BASIC AUTOMATION LETTER	\$ 0.136
BASIC AUTOMATION FLAT	\$ 0.245
3-DIGIT NON-AUTOMATION	\$ 0.234
3-DIGIT AUTOMATION LETTER	\$ 0.112
3-DIGIT AUTOMATION FLAT	\$ 0.220
5-DIGIT NON-AUTOMATION	\$ 0.199
5-DIGIT AUTOMATION LETTER	\$ 0.066
5-DIGIT AUTOMATION FLAT	\$ 0.194
CARRIER ROUTE BASIC	\$ 0.148
CARRIER ROUTE HIGH DENSITY	\$ 0.092
CARRIER ROUTE SATURATION	\$ 0.067
PERCENTAGE EDITORIAL DISCOUNT	\$ (0.051)
WKSHARING DISCNTDELIVERY OFFICE ENTRY	\$ (0.013)
WKSHARING DISCNT SCF ENTRY	\$ (0.007)

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CRPA/USPS-T38-18. You justify a new Outside County subclass by review of the standards of Section 3623 of the Postal Reorganization Act, USPS-T-38 at 15-16.

Please consider the following:

"The key distinguishing consideration between class/subclass and rate category has, since early cases, been the differential pricing for separate and distinct products. To identify groupings of mail, which should be accorded subclass rather than rate category treatment, the Commission traditionally has sought to identify differences in both cost and market, or demand."

PRC Opinion and Recommended Decision, Docket MC95-1, para. 3022.

- (a) What demand analysis has USPS made to ascertain that Nonprofit and Regular Rate Periodical Mail should be merged into one subclass?
- (b) What cost data similarities justify the elimination of the Nonprofit Periodical Subclass and its merger with Regular Rate Periodicals in a new Outside County Subclass?

RESPONSE

a) The Postal Service has not conducted any demand studies in this regard.

b) Please see the response of witness Smith (USPS-T-21) to the McGraw-Hill interrogatory MH/USPS-T21-2 for a discussion of mail processing unit costs for Periodicals Regular and Periodicals Nonprofit mail. It appears from that discussion that a significant amount of cost dissimilarities can be explained by the Billing Determinants of these two subclasses. Moreover, I do not see any reason why a Nonprofit piece would cost less than a Regular piece with identical mail characteristics.

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CRPA/USPS-T38-19.

- (a) In support of the Outside County subclass classification change, you state, at 15, that Nonprofit and Classroom publishers receive "a discount in recognition of their preferred status". Is a "discount" a rate element or a separate classification?
- (b) In light of USPS support for legislation to merge the Periodical subclasses, with the exception (for now) of the Within County Subclass, is it the position of the Postal Service that Congress is the primary actor in mail reclassification?
- (c) Is USPS support for legislation like H.R. 22, now pending in the House of Representatives, consistent with its support of Congressional action to eliminate a separate nonprofit periodical subclass? Please explain either an affirmative or a negative response.

RESPONSE

- a) Under our proposal, there would remain separate classification provisions for Nonprofit and Classroom periodicals. These categories, however, would no longer constitute separate subclasses.
- b) Congress has identified certain mail for which it has directed that rate preferences be maintained, and prescribed the methodology for maintaining these preferences. The Postal Service and the Commission lack independent authority to expand or contract the types of mail eligible for these preferences or change the method prescribed for maintaining these preferences. Congress has not, however, constrained under current law the authority of the agencies to reclassify preferred rate matter, as long as the required preferences and the prescribed method for providing preferences are observed.
- c) It is not entirely clear that the two are related. Also see witness Mayes (USPS-T-32) response to CRPA/USPS-T32-10.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF MCGRAW-HILL COMPANIES, INC.**

MH/USPS-T38-1. Please produce all reports, memoranda, and correspondence created by in-house or outside economists, cost analysts or consultants for the Postal Service since July 1, 1998 concerning possible causes of the rapid cost increases attributed to Periodicals Regular mail by the Postal Service costing systems.

RESPONSE

LR-I-217 and LR-I-193 contain what has been identified.

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TO INTERROGATORIES OF MCGRAW-HILL COMPANIES, INC.**

MH/USPS-T38-2. With respect to your testimony (p. 4, ll. 18-19) that "Nonprofit... mail is not believed to have different cost causing characteristics compared to Regular mail of the same profile:"

- a. Please explain all the reasons for the disparity in mail processing unit costs for Periodicals Regular mail Periodicals Nonprofit mail, respectively, as set forth in attachment 17 to the testimony of witness Smith (USPS-T-21).
- b. Please confirm that the disparity is not fully explained by billing determinant data. If you do not confirm, please explain fully.

RESPONSE

- a. Please see the response of witness Smith (USPS-T-21) to McGraw-Hill interrogatory, MH/USPS-T21-2.
- b. I am unable to determine whether the disparity is fully explained by billing determinant data. Please see the response of witness Smith (USPS-T-21) to McGraw-Hill interrogatory, MH/USPS-T21-2.

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TO INTERROGATORIES OF MCGRAW-HILL COMPANIES, INC.**

MH/USPS T38-3. Please explain the extent to which the "significant decline in the value of a barcode," referred to p. 12, lines 16-17 of your testimony, is caused by the failure of the Postal Service to process machinable, prebarcoded, flats in automation operations, as indicated in USPS LR-I-193, Strategic Improvement Guide for Flats Processing, September 1999, p. 3 ("alarming statistic" that "in FY 1997 more than 50% of all non-Carrier Routed barcoded flats ... presented by mailers at automation discount rates was processed and distributed in operations other than automation").

RESPONSE

It is my understanding that the value of a barcode is based on Test Year data and mailflows and not on any historical barcode utilization. Please refer to witness Yacobucci's testimony (USPS-T25) for a discussion on isolating barcode-related savings. It is also my understanding that any prospective utilization of a barcode may partly explain the magnitude of a barcode's value but other factors such as improvements to processing nonbarcoded mail and the degree of mail presortation may more fully explain the magnitude of a barcode's value.

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REDIRECTED FROM WITNESS SMITH (USPS-T-21)

²
MPA/USPS-T21-X.

- a. Please provide Periodicals Regular Rate billing determinants for FY 1989, FY 1992, and FY 1999. Please provide the billing determinants in an electronic spreadsheet using the rate categories that the Postal Service is proposing in this docket.
- b. Please describe the methodology that you used to develop billing determinants for FY 1989 and FY 1992.
- c. Please confirm that Periodicals Regular Rate mailers performed more worksharing in FY 1999 than they performed in either FY 1989 or FY 1992. If not confirmed, please explain.

RESPONSE

- a. The Billing Determinants are provided in Library Reference I-272 both in hard copy and electronic formats. The adjustment of 1989 and 1992 Billing Determinants to approximate the rate categories used in the current filing was done using 1990 Mail Characteristics Study. The data collection for this Mail Characteristics Study was conducted in 1989 and may not reflect the characteristics of Periodicals mail in 1992. Also, these Billing Determinants were based on presort distribution of pieces in sacks even though this reflects only 52 percent of the pieces. GFY1999 adjustments were done using the distribution after the implementation of Docket No. R97-1 rates.
- b. The original Billing Determinants for FY1989 and FY1992 are provided in the worksheets '1989' and '1992' (Spreadsheets A and B) respectively. The worksheet titled '1990 Mail Chrc Stdy' (Spreadsheet C) contains the data that were used to convert these Billing Determinants into the format used in

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the current filing. Pound data, Carrier Route volume, and discounted pieces were not changed at all. Basic, 3-Digit, and 5-Digit presort were calculated using the information in the '1990 Mail Chrt Std' worksheet. Since 52 percent of the pieces were in sacks in 1990, presort mix in sacks was used to determine the three levels of presort. 62 percent of level A for both years was moved to the 3-digit level while the other 38 percent was retained at the Basic level. Almost 80 percent of level B volume was moved to the 5-Digit level while the Optional City and Unique 3-Digit volume was retained and combined with the non-unique 3-Digit volume moved from level A. Carrier Route presort level was not affected by this change. In 1989 there were no automation discounts while in GFY1992 only letter shaped pieces received automation discounts as reflected in the final Billing Determinants. The automation letter volume was subtracted from the appropriate levels to avoid double-counting.

GFY1999 Billing Determinants were also adjusted to reflect the categories used in the current filing. The worksheet titled 'FY99-Adj._Fac.' (Spreadsheet F) contains quarterly data for FY99 and reflects both the old 3/5 combined category and the separate 3-Digit and 5-Digit categories implemented on January 10, 1999. The new distribution was used to convert the old categories and a new distribution was developed for combined old and new volumes. This distribution was then applied to GFY volumes. In this case

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also, only Basic, 3-Digit and 5-Digit volumes were affected. Pounds, Carrier Route volume and discount categories were not changed. Adjusted GFY1989, GFY1992, and GFY 1999 Billing Determinants are provided in the worksheet titled 'BD_All_Yrs.' (Spreadsheet G).

- c. Confirmed. Three major changes that stand out in the comparison of these three years are the increase in barcoded, Carrier Route and dropshipped volumes. While these are positive indicators, they may or may not be reflective of other factors such as the number of pieces per container and bundle breakage.

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NNA/USPS-T38-1. You list the volume and cost estimate instability as a problem of the current Periodicals subclass classification, and improved volume and cost estimate stability as a benefit of the proposed combination of the Nonprofit, Classroom, and Regular subclasses and you also note that a rate anomaly was one reason for your decision to combine the three subclasses.

- (a) In what way is volume and cost estimate instability related to the Periodicals rate anomaly that led to the decision to combined these three subclasses.
- (b) Is one rationale for the proposed merger of three subclasses the difficulty of capturing Nonprofit and Classroom mail in a sampling system? Please explain your response.
- (c) What level of instability is deemed too great by the Postal Service to warrant continued support of a subclass?
- (d) Please confirm that greater stability of the volume and cost estimates of Periodical subclasses could be obtained if increased sampling of the existing subclasses were carried out. If not confirmed, please explain.
- (e) Would greater volume and cost estimate stability have allowed the Postal Service to devise rates that eliminated the rate anomaly without combining the three subclasses? Please explain.
- (f) If you answered the preceding question in the affirmative, did the Postal Service consider seeking greater volume and cost stability in the Nonprofit and Classroom subclasses by increasing the sample sizes? If so, please explain why this option was rejected. If not, please explain why this option was not considered.
- (g) Did the Postal Service determine that a change in the Revenue Foregone Reform Act (RFRA) would be preferable to seeking new rates for the existing subclasses before it calculated the effects of costs upon rates in the filing of this case?
- (h) Were there any other elements in the decision to seek a change in RFRA besides the desire to increase stability in the cost data and correct rate anomaly? If so, please list them and explain.
- (i) Did the Postal Service consider the merger of the Within County subclass with the other three subclasses in its current decision to seek a combination of the other three subclasses? If such a merger was considered and rejected, please explain why. If it was not considered at all, please explain why it was not.
- (j) Does the Postal Service currently have any plans for future rate cases to seek a combination of Within County subclass with the other three Periodicals subclasses.

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RESPONSE

The premise of the overall query appears to be that the instability of cost and volume led the Postal Service to combine the three above-mentioned subclasses into one Outside County subclass. My testimony (USPS-T-38), pages 2-4, discusses in detail that avoiding rate anomalies was the major reason for seeking the change in RFRA and combining these subclasses into one subclass. Greater stability in volume and cost estimates is considered to be an added advantage resulting from this combination. Also, please see my response to ANM/USPS-T38-4 where I have discussed that the statement in my testimony regarding attaining greater stability in the cost and volume estimates is purely comparative and does not make any qualitative or quantitative statement about the current state of reliability.

- a. I do not believe that volume and cost instability was a significant cause of rate anomalies. In the last rate proceeding the Postal Rate Commission recommended, and in this rate case, the Postal Service has proposed, a very small cost coverage for Regular Periodicals to mitigate trends in unit costs. This relatively small markup for the Regular subclass (one-half of which is applied to Preferred classes) removes the buffer between the Regular and Nonprofit subclasses. The small buffer, combined with larger discounts for Regular compared to Nonprofit, results in rate anomalies.
- b. No. As I have stated in my response to part (a), the prime reason for proposing this combination was the rate anomaly caused by the relatively low

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Regular markup. Any improvement in the data systems that estimate volume and costs is an added advantage.

- c. I do not believe instability alone would cause the Postal Service to terminate a subclass.**
- d. Confirmed. It is my understanding that the coefficient of variation (CV) is a measure of the amount of variation in an estimate due to sampling. This sampling variation generally decreases with increases in sample size.**

However, It is my understanding that the sampling system used by the Postal Service to measure the volume data for Nonprofit and Classroom captures these data with high precision. Therefore, any fluctuations in these estimates reflect actual changes in mailer activity and are not due to sampling. The coefficients of variation (CV) of the volume estimates for Nonprofit and Classroom are well below 1 percent.

Regarding the cost estimates, it is my understanding that for subclasses of mail having very small costs, increasing sample sizes is generally not practical. Consider, for example, the cost estimates of Classroom publications in Cost Segment 3.1 (Clerks and Mailhandlers, mail processing). The CV associated with the Cost Segment 3.1 Classroom publications costs is about 18 percent. See USPS-T-2, page 8. In order to decrease this by half (to a CV of around 9 percent), the sample size for the entire IOCS would have

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to be increased four-fold. Currently the data collection costs for IOCS are around 15 million dollars. See response to ANM/USPS-T2-15. The total revenue received in BY 1998 for Classroom Publications is about 12 million dollars. It would make little sense to increase data collection costs by around 45 million dollars to produce slightly more reliable costs for a subclass which generates only 12 million dollars of revenue.

Alternatively, under the proposed combination of Nonprofit, Classroom, and Regular subclasses, the resulting cost estimate for Cost Segment 3.1 would be quite stable and have a CV of approximately 1.4 percent, with no corresponding increase in data collection costs.

This example only addresses IOCS cost estimates. The total costs for Classroom publications are produced by combining estimates from other sources. To the extent that any of those are sample based, there could be far more data collection costs involved than what is illustrated above for IOCS alone.

- e. I do not believe so.
- f. Not Applicable.
- g. No.
- h. No. The interest in avoiding rate anomalies drove the decision to seek a change in RFRA.

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- i. No. It was not considered at all because the issue of anomalous rates did not arise for Within County rates.**
- j. No.**

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NNA/USPS-T38-2. Please confirm that you are using FY 99 volume data in calculating cost coverages for the Within County subclass.

RESPONSE

Please see my response to UPS/USPS-T38-1 regarding the use of FY 99 data in my testimony and workpapers.

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NNA/USPS-T38-4. Please refer to p. 14, lines 3-4 of your testimony, where you state "the passthroughs for Within County are by necessity much smaller than other classes because the cost study is for nonprofit mail."

- a. Notwithstanding the Postal Service's proposal to merge Nonprofit mail with Regular Periodicals mail, what would the passthroughs of Nonprofit mail have been?
- b. Does the Postal Service use Nonprofit mail cost studies as a proxy for Within County costs? If so, please provide a reference to all uses within R2000-1 where such a proxy is used for Within County costs and explain why this proxy is used. If not, explain the meaning of your statement.
- c. What elements of "necessity" did you have in mind in this statement?
- d. If RFRA is amended as the Postal Service proposes, how will development of cost studies, rates, cost coverages or rate design for Within County mail in future cases are affected?

RESPONSE

- a. Since the Postal Service proposal did not include a separate Nonprofit subclass, I have not determined appropriate passthroughs for a separate Nonprofit subclass.
- b. Yes. All of the cost savings in Spreadsheet WC-G in LR-I-167 are either from Nonprofit Periodicals or Nonprofit Standard (A) cost studies. Similar cost studies were also utilized in Docket No. R97-1. These cost savings are considered to be the best available proxy.
- c. The elements of "necessity" that I had in mind are that the entry, handling, and preparation characteristics of Within County are different from Nonprofit, and produce lower costs from which cost savings are subtracted.
- d. If RFRA is amended as the Postal Service proposes, then, depending on available resources, the Postal Service may either conduct separate cost studies for Within County or use the Outside County cost studies with suitable passthroughs.

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NNA/USPS-T38-5. How did the Postal Service select a 5 percent discount from Regular rate mail as an appropriate rate level for Nonprofit and Classroom mail, as opposed to any other percentage discount?

RESPONSE

Currently the discounts for Nonprofit and Classroom subclasses are approximately 2.5 and 5.5 percent respectively. These were calculated by applying the Regular rate schedule to Nonprofit and Classroom billing determinants and comparing the resulting revenue per piece with the existing revenue per piece for those subclasses. A 5 percent discount is deemed reasonable given the current level of discounts for these two subclasses. It provides a significant rate preference to "preferred mailers" without substantially affecting other mailers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T38-6. Is it possible in an environment of low cost coverages for Periodicals mail that mail priced at a set pricing discount below Periodicals prices will be carried by the Postal Service for a price that does not cover the direct and indirect costs of that mail?

RESPONSE

Regardless of the cost coverage environment (high or low), it is always possible that some rate cells may not cover the direct and indirect cost of that mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFPA/USPS-T38-1. What are the service standards for Periodicals mail?

RESPONSE

Please see DMM D210.1.0.

My understanding is that while the Postal Service does not guarantee the delivery of Periodicals within a specified time, the Postal Service provides a Service Standard Map (CD-ROM) as a "guideline" for Periodicals delivery across the nation. These service standards are based on 1 – 7 days delivery over 8 zones. Delivery can vary somewhat depending upon level of sortation provided the mail (i.e., Carrier Route, 5-Digit, 3-Digit, ADC, Mixed ADC), volume, containerization, and whether the mail is automation or non-automation. Proper preparation, labeling and entry are paramount to meeting service standards.

Also, I understand that a free service standards map on a CD-ROM is available to all customers through the Address Management National Customer Support Center by calling 1 800 238-3150, ext. 4484 or ext. 4442.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFFPA/USPS-T38-2. If a tabloid size newspaper sorted at the basic rate, non-automation, is entered in a general mail facility in Buffalo, NY how many days would you expect it to take for the newspaper to be delivered to a home in:

- a. Charlotte, NC.
- b. Atlanta, GA
- c. Miami, FL

RESPONSE

My understanding is that the service standard map does not take into account the dimension, processing type, or rate category of the mail. The newspaper as described above entered in would indicate the need for manual processing techniques and would need to be processed in more than one facility including an Area Distribution Center prior to delivery. Based on the service standards map for Periodicals a periodical mailed from Buffalo, NY (3-Digit Zip 142) to Charlotte, NC (3-Digit Zip 282), Atlanta, GA (3-Digit Zip 303), or Miami, FL (3-Digit Zip 331), delivery would take approximately:

- a. 3 days
- b. 4 days
- c. 5 days

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFPA/USPS T38-3. If Periodical A had 10 copies to be delivered to 10 different zip codes within Zone 8 (as measured from its office of entry), would you expect all 10 copies to be delivered at the same time as those of Periodical B, if the latter Periodical were entering at the same office and mailing 10 copies to one zip code within Zone 8? Please explain your response.

RESPONSE

My understanding is that the service standards map does not take into account the make-up or category of the mail. Therefore, Zone 8 reflects a service standard of 7 days. In either scenario as described above, the make-up level could be 5-Digit (skin sack) or mixed ADC. My understanding is that Mixed ADC mail is worked in several processing units prior to delivery while 5-Digit mail is transported directly to the delivery unit or destinating plant for processing. Therefore, depending upon make-up level and labeling, the Periodicals A and B could be delivered at different times.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFPA/USPS-T38-4. Would you expect delivery times for a periodical to be shortened for copies that were bar-coded and readable by automated sorting equipment? Please explain your response.

RESPONSE

My understanding is that since automated flat sorting is faster than manual sorting, mail that is automated has a greater opportunity of meeting various transportation leaving a plant. Therefore, delivery time could be shortened.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFFPA/USPS-T38-5. Does the Postal Service maintain any ongoing, objective measurement of Periodicals delivery performance, such as that used to measure on-time delivery of first-class mail? If your answer is yes, please describe that measurement. If your answer is no, please explain why no such measure exists.

RESPONSE

Not currently. My understanding is that the Postal Service is working with the MTAC Periodical Service Improvement Team, Information Systems subgroup, on a Periodicals Measurement System entitled "ESP (Entry Schedule for Periodicals)". This system is currently under Beta testing with several mailers and postal facilities. The program is expected to be ready for implementation during Fall of 2000.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFPA/USPS-T38-6. Please provide a list of all committees and task forces formed within the Postal Service or jointly with periodicals mailers from the base year to date for purposes of improving delivery.

RESPONSE

- MTAC Periodicals Service Improvement Workgroup
- Area Periodicals Service Improvement Coordinators work with the national team and independently with their District Service Improvement Coordinators/teams
- Periodicals Process Management Team (Headquarters)

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PROFESSIONAL FOOTBALL PUBLICATION
ASSOCIATION, INC.**

PFFPA/USPS-T38-7. Please provide copies of all public reports, minutes and public briefings issued from base year to date for any committees or task forces named in PFFPA/USPS T-38-6.

RESPONSE

Minutes and related material from the National Periodicals Service Improvement Team are being filed in LR-I-289. Other materials are available for viewing at Postal Service Headquarters. Activities of the District Periodicals Service Improvement teams vary. A sample of their submissions is also available for viewing at Postal Service Headquarters. There are no public reports, minutes or public briefings available from the Periodicals Process Management Team. Their efforts resulted in the development of an internal SOP (Standard Operating Procedure) and an internal training video for Operations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF ASSOCIATION FOR POSTAL COMMERCE**

PostCom/USPS-T38-1. Please describe all reasons why in Docket No. R97-1 you proposed changing the presort tiers for Periodicals from Basic and 3/5-digit to Basic, 3-digit, and 5-digit.

RESPONSE:

Please see my Docket No. R97-1 testimony (USPS-T-34), pages 6 through 9, where I discuss my reasons for the proposed change in the presort tiers for Periodicals.

Docket No. R97-1, USPS-T34, A – C (page 6, line 9 through p. 9, line 23)
(Witness Taufique)

1 5. the desirability of special classifications from the point of view of both the
2 user and the Postal Service; and
3
4 6. such factors as the Commission may deem appropriate.
5
6 I have evaluated the change proposed for Periodicals Regular Rate and Within
7 County and concluded that they satisfy these criteria.

8
9 **A. 3-Digit / 5-Digit Rate De-averaging**

10 I propose to split the 3/5-digit classification into separate 3-digit and 5-digit
11 classifications to better reflect costs in the piece rate design. The plan is to include
12 pieces sorted to non-unique 3-digit ZIP codes in the proposed 3-digit classification.
13 Currently, non-unique 3-digit ZIP codes are included in the basic (required) presort
14 category. Under this proposal, all Periodicals subclasses will have 3-digit and 5-digit
15 piece rates for both letters and flats for automation compatible mail.

16 This proposed change in classification is consistent with classification criterion 1
17 since it provides a fair and equitable allocation of costs based on the work actually done
18 by the mailers in presorting their mail. Also, mailers providing mail sortation to non-
19 unique 3-digit locations would qualify for a rate that better reflects their worksharing
20 efforts. Criterion 5 is satisfied because this classification change is desirable from the
21 point of view of both the Postal Service and its customers. The value to the Postal
22 Service customer, sorting to 3-digit ZIP Code prefixes, is more fully reflected in the rate
23 schedule, thereby recognizing customer efforts. The Postal Service receives a benefit in
24 terms of cost savings by providing an increased incentive for mailers to presort to the 3-
25 digit level.

1 The Postal Service in Docket No. MC95-1 proposed creating Regular and
 2 Publications Service subclasses for regular rate periodicals "to recognize the cost and
 3 market characteristics of low cost, high-workshare mail."² Given the context of that
 4 proposal, the Postal Service retained a combined 3/5-digit rate for Regular, and
 5 compressed the presort tiers even more for the proposed Publications Service
 6 subclass. The Commission, however, did not recommend the proposed split in the
 7 existing Regular Rate subclass.

8 The current proposal attempts to recognize low cost, high-workshare mail by
 9 splitting the 3/5-digit presort tier, and shifting the non-unique 3-digit mail from Basic to
 10 the 3-digit presort tier. The choice of passthroughs in this proposal for these resulting
 11 cost savings is a deliberate attempt to mitigate the "rate shock" effect on the higher cost
 12 presort tiers. I will address the 3/5-digit split and the non-unique 3-digit shift separately.

13 **B. 3/5 Split**

14 MPA witness Cohen in her direct testimony in Docket No. MC95-1, criticized the
 15 Postal Service for not recognizing mailer worksharing efforts:

16 There is one area in which I feel that Pickett's proposal fails to provide
 17 adequate recognition of degree of preparation. In his rate design for the
 18 Publications Service subclass, Pickett collapsed the presort tiers (levels A,
 19 B, C) to two, basic and carrier-route, apparently to simplify the rate
 20 structure. (USPS-T-19, p.12) In the regular subclass, Pickett retains the
 21 three presort categories, but moves non-unique 3-digit mail from Level A
 22 to Level B.

23
 24 I think that the Postal Service is moving in the wrong direction in
 25 collapsing presort categories. To provide adequate recognition of the
 26 degree of presortation and its effect upon reducing costs to the Postal

² Docket No. MC95-1, USPS-T-19, p. 1

1 Service, it really should have four presort categories in both subclasses:
 2 basic, 3-digit, 5-digit, and carrier-route.³
 3

4 In light of the Commission's rejection of the proposed Publications Service
 5 subclass in Docket No. MC95-1, the Postal Service believes that expanding the number
 6 of presort tiers is a better mechanism to reflect postal operations in postal rates.
 7

8 **C. Shift of Non-Unique 3-Digit Mail from Basic to 3-Digit tier**

9 In its opinion in Docket No. MC95-1, the Commission stated the following, with
 10 regard to the change in the presort tiers:

11 Preoccupation with the ramifications of the Publications Service proposal
 12 appears to have overtaken deliberate review of the presort changes in the
 13 Regular subclass. There was little meaningful discussion on this record
 14 about the consequences of the redefinition of the presort tiers."⁴
 15

16 In rejecting the proposal for elimination of the existing unique 3-digit makeup
 17 requirement, the Commission relied on the argument that the shift of the non-unique 3-
 18 digit tier from level A or Basic presort would leave a much smaller volume in the Level A
 19 or Basic category. With regard to this volume, the Commission stated:

20 This is a very small proportion, and gives rise to questions whether this
 21 volume should become the benchmark for discounts for the subclass.
 22 Accurate cost tracking, in particular, could become a problem. Given
 23 these concerns, the Commission recommends retention of the current
 24 presort tiers at this time; the question of whether they should be
 25 expanded, perhaps along the lines suggested by MPA witness Cohen, or
 26 constricted, as proposed by the Service, deserves further study.⁵
 27

³ Docket No. MC95-1, Tr. 15/6759

⁴ PRC Opinion and Recommended Decision, Docket No. MC95-1, V-139

⁵ Ibid. V139-140

1 The costs that witness Seckar (USPS-T-26) develops in this case, as inputs to
2 the ratemaking exercise, are not dependent upon mail volume within the benchmark or
3 any other category. Specifically, witness Seckar states:

4 In summary, piece distribution; bundle sorting; and in turn, volume
5 variable mail processing costs are developed using wage rates,
6 productivities, and other inputs in a manner essentially independent of the
7 mail volume.⁶

8
9 In accordance with this assessment, the volume in the Basic or any other presort
10 category should not affect the reliability of the costs for the category.

11 The Governors' Decision in Docket No. MC95-1 also addressed the issue of
12 non-unique 3-digit ZIP Codes. The Decision stated:

13 In particular, witnesses explained to the Commission that today's
14 operations plans do not distinguish among the 3-Digit ZIP Codes in the
15 manner prescribed in the old rate schedule. Under that schedule, second-
16 class mail, when prepared to 5-Digit ZIP Codes, and to what are called
17 unique 3-Digit cities, is charged one rate. When prepared to all other 3-
18 Digit ZIP codes, this mail is charged another, higher rate. Today the cost
19 incurrence is the same, whether the 3-Digit ZIP Code represents a city, or
20 any other geographical area.⁷

21
22 Therefore, the Postal Service believes that non-unique 3-digit mail should be included
23 in the 3-digit ZIP Code presort tier.

24 **D. Methodology for Determining the TYAR Volumes - 3/5 Split and Non-Unique 3-**
25 **Digit Shift**

26
27 The Billing Determinants for TYBR and TYAR were determined using the mail
28 characteristics study provided in Library Reference H-190, and the base year (FY1996)
29 Billing Determinants. The mail characteristics study provided Regular Rate mail pieces

⁶ USPS-T-26

⁷ Decision of the Governors on Docket No. MC95-1, p. 15

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF UNITED PARCEL SERVICE**

UPS/USPS-T38-1. Identify all instances in which you have relied on or used in your testimony in any way any FY 1999 cost, revenue, volume, or other data, and state in each instance why you used FY 1999 data instead of data for BY 1998.

RESPONSE

I have used FY 1999 PQ3 data to estimate the distribution of pieces for the Basic, 3-Digit and 5-Digit categories for BY 1998. This was done because the FY 1998 classification used a combined 3/5-Digit rate and pieces sorted to the non-unique 3-Digit were included in the Basic category. A classification change recommended by the Commission and adopted by the Governors in Docket No. R97-1 split the combined 3/5-Digit category into separate 3-Digit and 5-Digit categories. Also pieces sorted to non-unique 3-Digit rates moved to the 3-Digit category instead of Basic as a result of this classification change.

Other data used in the preparation of my spreadsheets and testimony were derived from other witnesses in this docket. For instance, volume variable cost figures were obtained from witness Kashani (USPS-T-14); volume forecasts were obtained from witness Tolley (USPS-T-6) and cost study results were obtained from witnesses Yacobucci (USPS-25), Daniel (USPS-T-28), Crum (USPS-T-27) and Miller (USPS-T-24). To the extent that any of these and other witnesses may have incorporated data from FY 1999 into the preparation of the figures in their testimony upon which my work relied, there would be, by extension, some FY 1999 data forming the basis of my testimony and spreadsheets. In order to accurately assess the extent to which FY 1999 data was used in the work of these witnesses, please refer to their responses to this identical interrogatory.

1 CHAIRMAN GLEIMAN: Any other party that has
2 additional designated written cross for the witness?

3 MR. FELDMAN: Mr. Chairman, this is a document
4 which I came across in preparing for cross-examination
5 today, it is Mr. Taufique's response to your Information
6 Request Number 2, and it is specifically Question 1. I
7 assume that this would be an appropriate time to request
8 that this be entered into the record. Again, this is his
9 response to your Information Request Number 2, and it is
10 Question 1 of that request.

11 CHAIRMAN GLEIMAN: It is certainly an appropriate
12 time.

13 CROSS-EXAMINATION

14 BY MR. FELDMAN:

15 Q Mr. Taufique, I am going to hand you a copy of
16 your response to the Presiding Officer's Information Request
17 Number 2, specifically, your response to the first question
18 that the Presiding Officer asked in that Information
19 Request. If you would kindly review it and see if the
20 response would be the same today if it were asked today?

21 A Sure. Thank you.

22 [Pause.]

23 THE WITNESS: What I see missing here are the
24 Library Reference I-203, which has a lot more spreadsheets
25 than this one has.

1 BY MR. FELDMAN:

2 Q Mr. Taufique, was that included, however, in the
3 response which was distributed to the parties?

4 A I would think so. I am not sure exactly how it
5 works.

6 Q I join you in expressing some doubt one way or the
7 other. We believe that we received was what we showed you,
8 which goes through attachment to response to POIR Number 2,
9 Question 1, page 1 of 3.

10 A The response was based on the Library Reference
11 I-203 that I included in my response, or sent with my
12 response. So, if that is included, there is no problem.

13 MR. FELDMAN: Yes. We would have no objection,
14 certainly, to that inclusion by reference.

15 MR. RUBIN: Right. The second sentence of the
16 response states that the underlying spreadsheets are
17 provided in Library Reference I-203, and I think they don't
18 need to go get transcribed. They would go into the record
19 with the answer.

20 CHAIRMAN GLEIMAN: Does that mean you are
21 comfortable with the situation?

22 MR. FELDMAN: I am very comfortable and thank USPS
23 counsel and the witness for their assistance and for the
24 Chair's assistance, and I will give the reporter two copies
25 of Witness Taufique's response to Information Request Number

1 2, specifically, his first answer to that Information
2 Request, and I ask that it be transcribed into the record
3 and entered into evidence.

4 CHAIRMAN GLEIMAN: It is his answer to the
5 Information Request, the first question, as opposed to his
6 first answer. There is not a subsequent answer that we are
7 dealing with here.

8 THE WITNESS: Okay.

9 CHAIRMAN GLEIMAN: Right. I just want to make
10 sure. Gentlemen, is that correct?

11 MR. RUBIN: Yes.

12 CHAIRMAN GLEIMAN: Two copies having been given to
13 the reporter, the material is received into evidence and
14 will be transcribed into the record.

15 [Response of Witness Taufique to
16 Presiding Officer's Information
17 Request Number 2 was received into
18 evidence and transcribed into the
19 record.]
20
21
22
23
24
25

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO PRESIDING OFFICER'S INFORMATION REQUEST NUMBER 2**

1. The Postal Service request includes proposed rates that have been developed to reflect the assumption that legislation will be enacted. Specifically, the rates proposed for Regular Periodicals, Nonprofit Periodicals and Classroom Publications; the rates for Standard A Nonprofit ECR; and the rates for Library Mail are all dependent on this assumption. In the absence of the passage of legislation, rates for mail in these subclasses would have to reflect existing applicable law, including the restrictions imposed by the Revenue Forgone Act of 1993.

Please provide the test year rates that the Postal Service would propose for these subclasses of mail if it is assumed that no new legislation is enacted. For purposes of this answer the Postal Service is to develop rates that reflect retention of the regular rate mark ups justified in the January 12, 2000 Request. Include exhibits tracing the development of these rates to cost and volume data contained in that Request.

RESPONSE

The requested rates are provided with this response (spreadsheets RR-L, NP-L, and CR-L). The underlying spreadsheets are provided in library reference I-203, in hardcopy and electronic form.

For the purpose of meeting the requirement of this Presiding Officer's Information Request (POIR), I have developed separate rate schedules for the three Periodicals' subclasses that were combined into one Outside County subclass in the Postal Service proposal filed on January 12, 2000. Unlike that proposal, which was approved by the Board of Governors, the schedules provided below were developed specifically in response to the POIR, and do not represent an alternate proposal by the Postal Service. As requested, the Regular starting mark-up of 1.0145, and the cost and volume data included in the January 12th filing were used to develop these rate schedules.

I have used the unrevised 2001 TYBR volume forecast (See response of witness Tolley (USPS-T-6) to POIR No. 1 question 1) to maintain consistency

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO PRESIDING OFFICER'S INFORMATION REQUEST NUMBER 2**

Question 1, Page 2 of 3

with the TYBR volume-variable costs, which are based on the unrevised forecasts. As suggested in Question 5 of POIR No. 1 the following three changes have been made. First, the required revenue is divided by the RPW correction factor rather than multiplied. Second, since TYAR fees are now available to me, TYAR fees have been subtracted from the revenue requirements rather than TYBR fees. Third, the leakage estimate is calculated based on rounded discounts.

The revenue split between pieces and pounds for the Regular and Nonprofit subclasses reflects historical precedents established by the Commission, but Classroom rates are based on a slight deviation from the Commission recommended split in Docket No. R94-1. A major concern was to make sure that the rate increase in each rate cell should not exceed the overall increase in the subclass by more than two percent in order to mitigate the impact on customers. Another goal was to avoid rate anomalies. Given the overall cost increase for all subclasses, a Nonprofit cost increase exceeding the Regular increase, and changes in cost savings for automation and presort levels, I have succeeded on the first count using rather unconventional passthroughs, but was unable to accommodate the second goal.

It is important to note that there are significant anomalies present in the rate schedules for the three subclasses. For instance, comparing Regular to Nonprofit, the anomalies are not limited to piece rates alone. The unzoned editorial pound rate for Nonprofit Periodicals is higher than the corresponding

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO PRESIDING OFFICER'S INFORMATION REQUEST NUMBER 2**

Question 1, Page 3 of 3

rate for Regular Periodicals. The difference in piece rates is not significant between the two schedules; therefore, combining these smaller differences with some of the larger differences in both dropshipment and editorial discounts would lead to anomalous results where Nonprofit mailers would find Regular rates more attractive. The anomaly issue is actually much worse than the one that led the Postal Service to file Docket No. MC99-3. The situation between Classroom and Regular is slightly better, but still leads to rate anomalies.

These anomalies cannot be resolved without either abandoning existing rate design conventions or altering the cost coverage for Regular Periodicals.

TYAR BILLING DETERMINANTS - AFTER RATES & VOLUME **REGULAR RATE PERIODICALS**

ATTACHMENT TO RESPONSE TO
 POIR # 2, QUESTION 1, PAGE 1 OF 3

USPS T-38
 Spreadsheet RR-L
 Page 1
 For POIR 2

Regular Rate Pounds	Pounds	POIR 2	Postage
TYAR	Rates	Rate*Pounds	
Delivery Unit	12,277,550	\$ 0.169	\$ 2,074,907
SCF	620,713,827	\$ 0.199	\$ 123,522,052
Zones 1&2	289,863,537	\$ 0.233	\$ 67,538,204
Zone 3	140,780,809	\$ 0.248	\$ 34,908,641
Zone 4	199,594,942	\$ 0.267	\$ 57,283,740
Zone 5	197,392,828	\$ 0.345	\$ 68,100,560
Zone 6	79,195,610	\$ 0.408	\$ 32,153,905
Zone 7	80,005,592	\$ 0.480	\$ 28,802,684
Zone 8	52,605,256	\$ 0.544	\$ 28,617,259
Nonadvertising	1,988,303,233	\$ 0.176	\$ 347,953,066
Science of Agriculture Pounds	Pounds	POIR 2	Postage
TYAR	Rates	Rate*Pounds	
SCI. OF AGRICULTURE DELIVERY OFFICE	32,721	\$ 0.127	\$ 4,158
SCI. OF AGRICULTURE SCF	2,409,420	\$ 0.149	\$ 359,004
SCI. OF AGRICULTURE ZONES 1&2	4,944,877	\$ 0.175	\$ 865,318
SCI. OF AGRICULTURE ZONE 3	1,752,553	\$ 0.248	\$ 434,833
SCI. OF AGRICULTURE ZONE 4	986,792	\$ 0.267	\$ 277,489
SCI. OF AGRICULTURE ZONE 5	508,498	\$ 0.345	\$ 174,742
SCI. OF AGRICULTURE ZONE 6	78,448	\$ 0.408	\$ 31,850
SCI. OF AGRICULTURE ZONE 7	82,018	\$ 0.480	\$ 29,769
SCI. OF AGRICULTURE ZONE 8	40,513	\$ 0.544	\$ 22,039
SCI. OF AGRICULTURE - NONADVERTISING	6,791,929	\$ 0.176	\$ 1,188,568
Science of Agriculture Commingled Pounds	Pounds	Rate	Postage
TYAR	Rate*Pounds		
SCI OF AGL. COMMINGLED NONSBSCRBR SCF	4,141	\$ 0.199	\$ 824
SCI OF AGL. COMMINGLED NONSBSCRBR ZONES 1&2	29,055	\$ 0.233	\$ 6,770
SCI OF AGL. COMMINGLED NONSBSCRBR NONADVERTISING	74,855	\$ 0.175	\$ 13,085
Regular Rate Pieces	Pieces	Rate	Postage
TYAR	Rate*Pieces		
BASIC NON-AUTOMATION	722,445,232	\$ 0.335	\$ 242,019,153
BASIC AUTOMATION LETTER	52,768,108	\$ 0.264	\$ 13,930,780
BASIC AUTOMATION FLAT	83,326,387	\$ 0.264	\$ 23,684,688
3-DIGIT NON-AUTOMATION	756,507,712	\$ 0.290	\$ 219,387,238
3-DIGIT AUTOMATION LETTER	41,090,463	\$ 0.235	\$ 9,656,259
3-DIGIT AUTOMATION FLAT	874,884,923	\$ 0.248	\$ 215,872,491
5-DIGIT NON-AUTOMATION	587,131,724	\$ 0.228	\$ 133,771,770
5-DIGIT AUTOMATION LETTER	1,457,917	\$ 0.182	\$ 265,341
5-DIGIT AUTOMATION FLAT	1,463,090,078	\$ 0.193	\$ 282,376,385
CARRIER ROUTE BASIC	2,517,115,394	\$ 0.140	\$ 352,396,155
CARRIER ROUTE HIGH DENSITY	20,720,818	\$ 0.114	\$ 2,362,185
CARRIER ROUTE SATURATION	18,177,744	\$ 0.097	\$ 1,763,241
PERCENTAGE EDITORIAL DISCOUNT	4,320,965,948	\$ (0.065)	\$ (280,862,788)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	43,749,181	\$ (0.021)	\$ (918,733)
WKSHARING DISCNT SCF ENTRY	2,531,187,689	\$ (0.012)	\$ (30,374,255)
Science of Agriculture - Pieces	Pieces	Rate	Postage
SCI. OF AGRICULTURE - Basic Nonautomation	1,242,244	\$ 0.335	\$ 415,152
SCI. OF AGRICULTURE - Basic Automation Letter	12,268	\$ 0.264	\$ 3,238
SCI. OF AGRICULTURE - Basic Automation Flat	936,628	\$ 0.264	\$ 246,059
SCI. OF AGRICULTURE - 3-Digit Nonautomation	2,218,078	\$ 0.290	\$ 643,243
SCI. OF AGRICULTURE - 3-Digit Automation Letter	13,388	\$ 0.235	\$ 3,148
SCI. OF AGRICULTURE - 3-Digit Automation Flat	1,493,878	\$ 0.248	\$ 367,444
SCI. OF AGRICULTURE - 5-Digit Nonautomation	4,498,116	\$ 0.228	\$ 1,018,974
SCI. OF AGRICULTURE - 5-Digit Automation Letter	0	\$ 0.182	\$ -
SCI. OF AGRICULTURE - 5-Digit Automation Flat	3,580,537	\$ 0.193	\$ 691,044
SCI. OF AGRICULTURE - Carrier Route	19,145,561	\$ 0.140	\$ 2,680,378
SCI. OF AGRICULTURE - High Density	471	\$ 0.114	\$ 54
SCI. OF AGRICULTURE - Saturation	0	\$ 0.097	\$ -
SCI. OF AGRICULTURE - Editorial Discount	14,210,215	\$ (0.065)	\$ (923,664)
SCI. OF AGRICULTURE - P.c. Disc. Delivery Unit	981,200	\$ (0.021)	\$ (20,185)
SCI. OF AGRICULTURE - P.c. Disc. SCF	6,921,591	\$ (0.012)	\$ (83,059)
Science of Agriculture - Commingled Pieces	Pieces	Rate	Postage
SCI OF AGL. COMMINGLED NONSBSCRBR PRESORT LEVEL A	150,384	\$ 0.335	\$ 50,379
SCI OF AGL. COMMINGLED NONSBSCRBR EDITORIAL DISCOUNT	14,965	\$ (0.065)	\$ (973)
SCI OF AGL. COMMINGLED NONSBSCRBR SCF DISCOUNT	0		
Total Pieces & Calculated Revenue	7,351,806,127		\$ 1,993,883,031
TYAR Fees			\$ 15,429,000
Calculated Revenue+TYAR Fees			\$ 2,009,312,031
Target Revenue+TYAR Fees			\$ 2,062,048,209
Calculated Revenue as a Percent of Target Revenue			97.44%

ATTACHMENT TO RESPONSE 7
POIR #2, QUESTION 1, PAGE 1

USPS T-38
Spreadsheet NP-L
Page 1
For POIR 2

TYAR BILLING DETERMINANTS - AFTER RATES & VOLUME NONPROFIT PERIODICALS

Regular Rate Pounds	Pounds	POIR 2	Postage
	TYAR	Rates	Rate*Pounds
Delivery Unit	86,348	\$ 0.168	\$ 14,583
SCF	30,417,541	\$ 0.199	\$ 6,053,091
Zones 1&2	17,232,885	\$ 0.233	\$ 4,015,218
Zone 3	11,206,877	\$ 0.248	\$ 2,779,306
Zone 4	20,175,081	\$ 0.287	\$ 5,790,242
Zone 5	22,882,470	\$ 0.345	\$ 7,825,452
Zone 6	8,523,416	\$ 0.406	\$ 3,480,507
Zone 7	6,048,909	\$ 0.480	\$ 2,902,518
Zone 8	6,257,898	\$ 0.544	\$ 3,404,298
Nonadvertising	437,983,342	\$ 0.182	\$ 79,712,988
Commingled Pounds	Pounds	POIR 2	Postage
	TYAR	Rates	Rate*Pounds
Delivery Unit	5	\$ 0.168	\$ 1
SCF	5,258	\$ 0.199	\$ 1,048
Zones 1&2	48,720	\$ 0.233	\$ 10,868
Zone 3	82,857	\$ 0.248	\$ 15,539
Zone 4	117,423	\$ 0.287	\$ 33,700
Zone 5	343,985	\$ 0.345	\$ 118,888
Zone 6	79,123	\$ 0.406	\$ 32,124
Zone 7	153,612	\$ 0.480	\$ 73,734
Zone 8	2,856	\$ 0.544	\$ 1,555
Nonadvertising	481,041	\$ 0.175	\$ 84,182
Nonprofit (Regular) Pieces	Pieces	Rate	Postage
	TYAR		Rate*Pieces
BASIC NON-AUTOMATION	129,842,873	\$ 0.277	\$ 35,984,121
BASIC AUTOMATION LETTER	18,173,893	\$ 0.224	\$ 4,070,952
BASIC AUTOMATION FLAT	18,958,915	\$ 0.244	\$ 4,625,975
3-DIGIT NON-AUTOMATION	128,784,183	\$ 0.247	\$ 31,315,888
3-DIGIT AUTOMATION LETTER	30,240,250	\$ 0.190	\$ 5,745,648
3-DIGIT AUTOMATION FLAT	133,093,812	\$ 0.219	\$ 29,147,501
5-DIGIT NON-AUTOMATION	180,755,713	\$ 0.215	\$ 38,862,478
5-DIGIT AUTOMATION LETTER	3,320,486	\$ 0.172	\$ 571,124
5-DIGIT AUTOMATION FLAT	350,024,445	\$ 0.189	\$ 67,554,718
CARRIER ROUTE BASIC	1,020,378,992	\$ 0.134	\$ 138,730,785
CARRIER ROUTE HIGH DENSITY	50,382,360	\$ 0.102	\$ 5,139,001
CARRIER ROUTE SATURATION	7,172,532	\$ 0.087	\$ 624,010
PERCENTAGE EDITORIAL DISCOUNT	1,633,789,011	\$ (0.061)	\$ (83,323,760)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	2,615,053	\$ (0.013)	\$ (32,696)
WKSHARING DISCNT SCF ENTRY	437,749,500	\$ (0.007)	\$ (3,084,247)
Nonprofit - Commingled	Pieces	Rate	Postage
BASIC NON-AUTOMATION	1,021,027	\$ 0.335	\$ 342,044
BASIC AUTOMATION LETTER	0	\$ 0.284	\$ -
BASIC AUTOMATION FLAT	124	\$ 0.284	\$ 35
3-DIGIT NON-AUTOMATION	604,386	\$ 0.290	\$ 148,272
3-DIGIT AUTOMATION LETTER	0	\$ 0.235	\$ -
3-DIGIT AUTOMATION FLAT	2,279	\$ 0.248	\$ 560
5-DIGIT NON-AUTOMATION	825,824	\$ 0.228	\$ 186,591
5-DIGIT AUTOMATION LETTER	0	\$ 0.182	\$ -
5-DIGIT AUTOMATION FLAT	9,739	\$ 0.185	\$ 1,807
CARRIER ROUTE BASIC	618,345	\$ 0.140	\$ 86,288
CARRIER ROUTE HIGH DENSITY	1,400	\$ 0.114	\$ 160
CARRIER ROUTE SATURATION	0	\$ 0.087	\$ -
PERCENTAGE EDITORIAL DISCOUNT	1,281,056	\$ (0.065)	\$ (81,969)
WKSHARING DISCNT DELIVERY OFFICE ENTRY	31	\$ (0.021)	\$ (1)
WKSHARING DISCNT SCF ENTRY	103,508	\$ (0.012)	\$ (1,246)
Total Pieces & Calculated Revenue	2,052,207,858		\$ 398,671,358
TYAR Fees			\$ 4,307,000
Calculated Revenue+TYAR Fees			\$ 398,978,358
Target Revenue+TYAR Fees			\$ 373,275,433
Calculated Revenue as a Percent of Target Revenue			104.74%
TYAR Cost			\$ 388,570,325
Cost Coverage after calculation of new rates			101%
Revenue per piece			0.194417238

ATTACHMENT TO RESPONSE TO
POIR #2, QUESTION 1, PAGE 3 OF

USPS T-38
Spreadsheet CR-L
Page 1
For POIR 2

TYAR BILLING DETERMINANTS - AFTER RATES & VOLUME CLASSROOM PERIODICALS

Regular Rate Pounds	Pounds	POIR 2	Postage
	TYAR	Rates	Rate*Pounds
Delivery Unit	8	\$ 0.199	\$ 1
SCF	50,068	\$ 0.199	\$ 15,937
Zones 1&2	416,880	\$ 0.233	\$ 96,895
Zone 3	542,074	\$ 0.248	\$ 134,434
Zone 4	889,779	\$ 0.287	\$ 255,307
Zone 5	859,951	\$ 0.345	\$ 296,683
Zone 6	182,480	\$ 0.408	\$ 74,091
Zone 7	218,919	\$ 0.480	\$ 105,081
Zone 8	289,273	\$ 0.544	\$ 148,484
Nonadvertising	25,252,321	\$ 0.174	\$ 4,383,904
Regular Rate Pieces	Pieces	Rate	Postage
	TYAR		Rate*Pieces
BASIC NON-AUTOMATION	11,744,529	\$ 0.277	\$ 3,253,282
BASIC AUTOMATION LETTER	59,841	\$ 0.212	\$ 14,806
BASIC AUTOMATION FLAT	655,527	\$ 0.233	\$ 155,787
3-DIGIT NON-AUTOMATION	10,515,934	\$ 0.238	\$ 2,481,996
3-DIGIT AUTOMATION LETTER	0	\$ 0.180	\$ -
3-DIGIT AUTOMATION FLAT	3,915,575	\$ 0.208	\$ 814,461
5-DIGIT NON-AUTOMATION	8,199,252	\$ 0.208	\$ 1,277,948
5-DIGIT AUTOMATION LETTER	0	\$ 0.188	\$ -
5-DIGIT AUTOMATION FLAT	5,915,567	\$ 0.183	\$ 1,082,732
CARRIER ROUTE BASIC	15,985,406	\$ 0.127	\$ 2,030,274
CARRIER ROUTE HIGH DENSITY	19,148	\$ 0.101	\$ 1,934
CARRIER ROUTE SATURATION	52,075	\$ 0.083	\$ 4,322
PERCENTAGE EDITORIAL DISCOUNT	50,944,995	\$ (0.048)	\$ (2,445,345)
WKSHARING DISCNTDELIVERY OFFICE ENTRY	484	\$ (0.013)	\$ (6)
WKSHARING DISCNT SCF ENTRY	1,602,492	\$ (0.007)	\$ (11,217)
Total Pieces & Calculated Revenue	65,089,081		\$ 14,178,909
TYAR Fees			\$ 118,000
Calculated Revenue+TYAR Fees			\$ 14,294,909
Target Revenue+TYAR Fees			\$ 14,386,123
Calculated Revenue as a Percent of Target Revenue			99.37%
TYAR Cost			\$ 14,034,300
Cost Coverage after calculation of new rates			101.89%
Revenue per piece			0.257381573
Percent Increase from Base Year			11.25%

1 CHAIRMAN GLEIMAN: Anyone else?

2 [No response.]

3 CHAIRMAN GLEIMAN: If not, that brings us to oral
4 cross-examination. Only one party filed a request, the
5 Coalition of Religious Press Associations. Does any other
6 party wish to cross-examine?

7 [No response.]

8 CHAIRMAN GLEIMAN: If not, Mr. Feldman, the
9 microphone is yours.

10 MR. FELDMAN: Thank you.

11 FURTHER CROSS-EXAMINATION

12 BY MR. FELDMAN:

13 Q Good afternoon, Mr. Taufique. Would you kindly
14 turn to your direct testimony on page 3?

15 A Okay.

16 Q At the end of Part A of your testimony, Roman
17 numeral III-A, on page 3.

18 A On page 3?

19 Q Yes. The very last sentence of that section
20 states, and I quote, "Cost trends ^{and} ~~the~~ the subsequent
21 relatively low markup for periodicals as a whole will keep
22 the rate anomaly issue alive unless a change is made in the
23 provisions of RFRA."

24 A Yes, I see that.

25 Q Yes. By cost trends, are you making any

1 assumption that cost trends for periodicals will remain
2 unchanged from recent history?

3 A I have no way of knowing it, but the anomaly issue
4 first appeared as a result of the recommended rates in
5 R97-1. And when we faced that issue, there was no way we
6 could have changed all of the rate design for all
7 periodicals at that time, so we allowed the mailers -- the
8 Postal Service filed MC 99-3 asking the Commission to allow
9 the mailers to shift back and forth between nonprofit and
10 regular rates.

11 And when I started designing the rates in this
12 particular case, the anomaly issue looked bigger right from
13 the start, and based on what we saw, our suggestion is that
14 unless a change is made to RFRA and a 5 percent discount
15 allowed for nonprofit periodicals, this rate anomaly issue
16 would continue in the future and we would have to do
17 something similar to what we did in MC 99-3, which was not a
18 very desirable option.

19 Q However, that decision to design the rates as you
20 have designed them is based on an assumption, is it not,
21 that the cost trends for periodicals will remain at an
22 escalating level greater than the cost increases for other
23 subclasses of mail?

24 A Since we saw that in two rate cases, R97-1 and the
25 current filing, we thought the long-term solution would be

1 to allow nonprofits to receive the 5 percent discount
2 instead of a half a markup that was suggested in the RFRA.

3 Q Has the Postal Service then given up on trying to
4 either explain or reverse the higher than average cost
5 trends in periodical mail?

6 A I am not the person to answer that, but, based on
7 general information that I have, the Postal Service, as we
8 speak now, is involved in looking at issues. In fact,
9 testimony was filed ^{by} Walter O'Tourmey and Witness Unger that
10 talks about some of the cost trends. I am not the expert in
11 the area, but the Postal Service is looking at the cost
12 trends for periodicals in general.

13 Q If your sentence were amended to read different
14 cost trends and the subsequent markup for periodicals as a
15 whole removed the rate anomaly issue, would you agree with
16 that statement?

17 A One more time, please.

18 Q Something to the effect of the curbing of cost
19 trends or --

20 A The curbing of cost trends? Okay.

21 Q Of cost trends, and the subsequent markup for
22 periodicals as a whole.

23 A And the subsequent markups. Okay. As a whole.

24 Q Eliminated the rate anomaly issue, period.

25 A Again, I am not involved in the cost issues, but

1 it would take -- it appears to be very speculative at this
2 point in time that cost trends would reverse so much that
3 the markup would increase to the level where the rate
4 anomaly issued would go away.

5 Q Well, granted that in R97-1, the Commission
6 recommended a very low markup for periodicals, in fact,
7 prior to that case, periodicals did have a higher markup;
8 didn't they?

9 A Based on my recollection of the readings that I
10 have done for the past rate cases, the ~~article markups~~^{periodicals markups} have
11 been in the range of 116 to 125 percent, I believe.

12 Q So in that case, would you agree that the change
13 in costs or reported costs for periodicals caused this rate
14 anomaly problem?

15 A There are two issues: One is the reported cost
16 increases; and the other issue is the cost increase for
17 nonprofit periodicals being higher in some cases than
18 regular.

19 So both of those combined together cause the lower
20 markup for periodicals, and then when you apply half of the
21 low markup to nonprofit, the word that I'm looking^{for} is the
22 buffer between the two classes is no longer there.

23 And that's what we found in R97-1, that if you
24 look at all the rate cells for nonprofit, they were
25 consistently lower, but the difference was not significant

1 enough that when you applied the editorial discount on a
2 per-piece basis, you would find that nonprofit mailers may
3 find regular rate cheaper than the nonprofit schedule.

4 Q But this is a situation which could change;
5 couldn't it?

6 A That's possible.

7 Q For example, if the Postal Service processed
8 automated flats more efficiently and it drove down the costs
9 of handling periodicals, that would be one way for the
10 attributable costs to fall, and for the markup contribution
11 to increase; would it not?

12 A Again, I was not a part of the team that looked at
13 the cost issues, but there are a number of issues besides
14 the Postal Service processing the mail efficiently. There
15 were issues that related to mailer preparation.

16 And if all of those issues were to change
17 overnight, then it's possible, but I think it's highly
18 unlikely at this point in time, in this rate case,
19 especially, that this thing would change.

20 So the longer-term solution that we thought about
21 was that we -- instead of half the markup, if there was a
22 discount on the overall postage, that would keep the
23 relationship between the two classes consistent and this
24 problem would not occur in the future, regardless of how the
25 cost numbers behaved.

1 Q When you say that it's highly unlikely that
2 anything will be done in this case, are you making an
3 assumption that the attributable cost levels for periodicals
4 are universally accepted by all parties in the case?

5 A I think you misread me or misheard me, I think.
6 Basically, it's highly unlikely that a change to that extent
7 would take place that would allow us to do a markup of 25
8 percent of periodicals.

9 Q Well, before, you were talking about 116 percent,
10 not 135 percent.

11 A One hundred sixteen to 125 was the range that I
12 talked about between R87 and R90, I believe.

13 All that I'm suggesting is simply that as a rate
14 designer, I have to work with the cost numbers that I'm
15 given.

16 And when I looked at the rate design issues
17 between nonprofit and regular, it was actually my
18 suggestion, and we talked about it at a number of different
19 meetings, but my thought was that in order to keep these two
20 classes separate in terms of the postage that they pay, and
21 if the intent of the Congress was for the preferred classes
22 to pay a lower rate, then this intent can only be fulfilled
23 by giving a discount on the postage, rather than half the
24 markup.

25 Q That's not what Congress said; is it?

1 A Again, that's my reading of the intent of the
2 Congress. When I looked at the preferred classes, they're
3 called preferred, and my reading is that preferred classes
4 means if identical mail comes through the U.S. Postal
5 Service, marked as regular and marked as nonprofit, a
6 preferred class should receive a lower postage compared to
7 the non-preferred class.

8 Q You will agree, though, that Congress said that
9 the markup for nonprofit and for other preferred mail should
10 be one-half of the markup for regular-rate mail, correct?

11 A Agreed, and that's why in R97-1, half the markup
12 was applied, and the result was the anomaly that we saw,
13 that led us to file MC-99-3.

14 Q Would you kindly turn to your response to
15 CRPA/USPS-T-38-3?

16 You have referred in your responses to Docket
17 MC-99-3. Your response to Part (c) of this interrogatory
18 states that records show that there are 1,218 nonprofit
19 periodical permits that mail under both nonprofit and
20 regular rates.

21 You also report in this interrogatory in Part (a)
22 that there are 9,679 permits.

23 A Yes.

24 Q Therefore, it's a fact, isn't it, that the
25 overwhelming majority of nonprofit periodicals are not using

1 regular rates?

2 A But looking at the number of mailers alone one
3 cannot derive the --

4 Q Mr. Taufique, I am going to direct you to answer
5 the question. Please do so.

6 A My answer is that when we are looking at the
7 number of mailers that are using both rates what we get is
8 the number of mailers --

9 Q That's correct and so you will please give me a
10 yes or a no answer to that question, to which I am entitled.

11 A Could you repeat your question one more time,
12 please?

13 Q The question is, is it not a fact that the
14 overwhelming majority of nonprofit periodical mailers since
15 MC99-3 continue to use the nonprofit rate and not the
16 regular rate, yes or no?

17 A In terms of permits, yes.

18 Q Thank you. When you consider impact of a rate
19 increase upon the users of a subclass of mail, do you
20 primarily look at the total volume of the class or do you
21 look at the number of users?

22 A In terms of the impact of any rate proposal that
23 Postal Service files, we look at basically all the rate
24 cells.

25 Q Mr. Taufique, that is not the question. The

1 question is do you primarily look at the number of users or
2 at the number of pieces in the subclass?

3 A See, I have no way of how many -- number of users
4 are being affected.

5 Q Mr. Taufique, that is not the question. Now I am
6 going to repeat the question and we will repeat it lots of
7 times until you give an answer.

8 CHAIRMAN GLEIMAN: Excuse me. Let's all stop for
9 a moment and take a deep breath, okay --

10 MR. FELDMAN: Mr. Chairman, this is a
11 nonresponsive witness.

12 CHAIRMAN GLEIMAN: I understand that you are
13 looking for a certain response to the question but I am the
14 only one that is allowed to be nasty in the room, so, you
15 know, let's just try to get the answer and you can proceed
16 with the question, but let's just take it a little easier.

17 BY MR. FELDMAN:

18 Q Mr. Taufique, perhaps the answer is -- if your
19 answer is you don't know, that is a perfectly acceptable
20 answer.

21 A The question is whether I look at the number of
22 mailers that are being impacted or the volume that is being
23 impacted?

24 Q Yes. I accept that as a good characterization of
25 the question, yes.

1 A In both R97-1 and R2000-1 I have looked at all the
2 rate cells, and that includes volume as well as the number
3 of mailers that are being affected. I have no way of
4 knowing how mailers are being affected. There is no way I
5 can estimate *that*.

6 I can look at the volume that is being paid --
7 that is paying a certain rate, then that I guess are billing
8 determinants, but there is no way I can find out how many
9 mailers are being affected and I think that was my answer to
10 part (b) of your question.

11 Q Yes, and if you will permit me, because I did not
12 find that to be too responsive, that is why we are asking it
13 again, and you say that there is no way that you can find
14 out how many mailers are being impacted. In part (a) you
15 have a number -- 9,679 -- which represent the number of
16 periodical nonprofit permits that are currently active.

17 Would that at least not provide to you some idea
18 of the impact on the publishers, publishing companies,
19 publishing associations, publishing societies and other
20 users of nonprofit periodical rates?

21 A I looked up the number after I received the
22 interrogatory, basically to see what the impact that you are
23 asking about, but in my rate analysis work when I do rate
24 design and come up with a rate I have no way of knowing how
25 many mailers are paying carrier route rate or five digit

1 automation rate. All I have is the volume that is that
2 particular rate cell.

3 Q Mr. Taufique, can you explain why you answered (a)
4 and (c) of this interrogatory with specific numbers of
5 permits if you have no way of knowing this information?

6 A The specific number of permits really does not
7 tell me what rate they are paying.

8 Q Mr. Taufique, I'm sorry. I am not trying to be
9 disagreeable, but you are not perhaps listening closely
10 enough to the question, and the question again is does the
11 data which you supplied, and we appreciate it, indicating
12 the number of permits using both the regular and the
13 nonprofit rates provide some indication of the number of
14 users and therefore what impact the rates would have on a
15 particular number of users?

16 A It's not that easy I don't think because I really
17 don't know what rates these folks are paying.

18 Q Well, they are paying nonprofit rates --

19 A But your question originally, if I remember it
20 right, your question was when I design rates what do I look
21 at, and my answer is when I design rates I have no way of
22 knowing even if I have this information of 9,679 nonprofit
23 mailers and 22,000 regular rate mailers, I have no way of
24 knowing what percent of these mailers are being affected by
25 my proposal that I am going to take to the Commission.

1 Q Well, you are familiar with the billing
2 determinants, aren't you, for periodical rates?

3 A Very intimately. I developed those, yes.

4 Q I'm sure you are, and there are separate billing
5 determinants for nonprofit and for regular rate, correct?

6 A Yes, sir. There are separate billing determinants
7 for regular rate nonprofit, classroom, and within county.

8 Q And that even though two types of periodicals
9 share similarities being periodicals, the billing
10 determinants indicate some significant differences, don't
11 they?

12 A Yes. I have talked about that in one of the
13 interrogatory responses also. Yes.

14 Q For example, zone distribution might be different,
15 correct?

16 A Advertising could be different. Level of presort
17 could be different. Level of automation may be different.

18 Q So applying the rates or the proposed rates and
19 taking the current rates and applying them to billing
20 determinants separately -- one is for nonprofit and then
21 using the billing determinants data for regular, one would
22 have a comparison then of the impact on one subclass versus
23 the other subclass, correct?

24 A True.

25 Q All right. Let's move on.

1 If you would kindly turn to CRPA/USPS-T-38-5, you
2 state that the rate increase for -- this is in the middle of
3 your response -- you state that the rate increase for
4 outside county periodicals is 12.7 percent, even though this
5 subclass has the lowest cost coverage.

6 Do you see where that statement is in your
7 response?

8 A Yes, I see it. The context of it is there, yes.

9 Q That 12.7 percent represents and overall increase
10 of revenue test year after rates over the current rate
11 level; is that correct?

12 A Overall increase in revenue per piece.

13 Q Revenue per piece, okay. That doesn't mean, for
14 example, that the one-half or more of all periodical permit
15 holders are paying a 12.7 percent increase; it simply means
16 that taking all the dollars that the Postal Service will
17 receive as a result of the increase, should it happen, it
18 will have 12.7 percent more revenue per piece for outside
19 county periodicals?

20 A Correct.

21 Q Okay. And did you do any studies or perhaps other
22 colleagues working with you did studies of how many
23 nonprofit mailers would or would not have an increase
24 greater than 12.7 percent?

25 A Given the nature of the cost studies that we were

1 using in this particular case, not just nonprofit mailers,
2 but even regular rate mailers, some were paying
3 significantly higher than the 12.7 percent.

4 And that is why the Postal Service is filing
5 additional testimony in this particular area, and working
6 with the mailers to look at the cost trends and see what can
7 be done about them.

8 Q Thank you. I was going to follow up with a
9 question, but maybe will think about asking the witnesses
10 who visit here next week, some of those questions.

11 A Very good.

12 Q If you could turn to CRPA-38-6, Part (d)? I would
13 like you to explain the phrase, identical characteristics,
14 in that response.

15 A What I meant by identical characteristics of two
16 mailings that were brought to us, one was nonprofit, one was
17 regular, what I meant ^{was} ~~by~~ the mail piece itself, the weight
18 of the piece, the level of presort, the number of mail
19 pieces that are bar-coded, the presort level, so all of the
20 things that appear in the billing determinants, drop
21 shipment, zones that they were being mailed to.

22 Q Based on your knowledge of the billing
23 determinants, which we have discussed, and perhaps of your
24 acquaintance with the cost and revenue analysis report, at
25 least for periodicals, are you familiar with these so-called

1 CRA reports?

2 A I have to be, yes.

3 Q I accept that, certainly. Taking these two groups
4 of data, the CRA and the billing determinants, and, indeed,
5 any other data that you might be acquainted with, does the
6 average regular rate periodical and the average nonprofit
7 out-of-county periodical, do they have identical
8 characteristics?

9 A No, sir.

10 Q In fact, one distinguishing characteristic -- one
11 -- would be weight; isn't that so, weight per piece?

12 A Weight per piece for nonprofit, on average. Now,
13 that does not mean that the mailings could not be the same.

14 On average, the nonprofit weight per piece is half
15 of what it is for regular rate.

16 Q And the attributable costs per piece for nonprofit
17 periodical mail --

18 A Could you take me to the interrogatory? I think
19 we've talked about that in an interrogatory response also.

20 Q I think we did. You're free to refer to it.

21 A Why don't we go to that, and it will be easier to
22 talk about it.

23 Q Well, we can do it that way, if you like.

24 CHAIRMAN GLEIMAN: Gentlemen, if the Court
25 Reporter is going to be able to make a transcript of the

1 proceedings, we have to have people talking one at a time.
2 So, give whoever is speaking a chance to say what they want
3 to say, and then the other person can jump in there and add
4 or subtract whatever they want to add or subtract, and I
5 would appreciate it.

6 MR. FELDMAN: Mr. Chairman, I thought we were
7 doing so well after your timely intervention. We're having
8 just a very lively and amicable interchange here.

9 CHAIRMAN GLEIMAN: You were, and I appreciate all
10 that both of you have done to get to the point on these
11 questions and answers. But still, as best I can understand
12 how transcripts are made, the Reporter has to be able to
13 hear one person at a time, and put down the words on paper.
14 I can't imagine what it would look like if we had the two of
15 you speaking at the same time and it was intertwined in the
16 transcript.

17 So keep up the good work, but just slow it down a
18 little bit in terms of tempo, thank you.

19 THE WITNESS: Especially if there was one with a
20 Pakistani accent, right?

21 CHAIRMAN GLEIMAN: The Pakistani accent is fine;
22 it's just when it melded together with a mid-America accent
23 at the same time that it gets tough. But then those of us
24 who are from Baltimore, Maryland, have no room to speak
25 about accents.

1 BY MR. FELDMAN:

2 Q Perhaps I think if you would turn to
3 CRPA/USPS-T-38-9, and take a moment to look at it, is that
4 the interrogatory that you were referring to a couple of
5 minutes ago?

6 A I think I was referring to Number 11, which
7 discusses the differences in costs, and the differences in
8 mail characteristics of the two classes of mail.

9 Q So, given the -- and I'll just quote your response
10 to 11(a), part of it, one sentence: Therefore, the average
11 cost per piece for nonprofit periodicals is lower than the
12 average cost per piece for regular periodicals.

13 That tells you that there are differences in
14 characteristics that cause that difference so that they are
15 not identical.

16 A Let me explain to you what I meant by this.

17 Q Of course.

18 A Even two mailers who use regular rate can be very
19 different. One could be presorting to the basic level. The
20 other one could have carrier route mail completely and one
21 could be double the rate of the other one, so those kind of
22 differences do exist between each subclass, so the billing
23 determinants between nonprofit and regular rate, basically
24 what they are giving us is if the carrier route volume for
25 nonprofit is 52 percent compared to 39 percent for regular

1 rate, then what we are seeing basically is there's more
2 presort at nonprofit subclass level than there is at the
3 regular rate, but those differences can exist both within
4 nonprofit subclass and within regular rate subclass.

5 Q Using the subclass boundaries as they exist
6 today -- as they exist today -- there is not an identical or
7 near identical cost between the classes on a per piece
8 basis, is there?

9 A I find it very hard to believe that if two
10 mailings are brought to the BMEU at the Postal Service and
11 those are identical in all respects, they get the same type
12 of service and just because one is labelled nonprofit, the
13 other one is labelled regular rate, they'll have different
14 cost causing characteristics.

15 Q Well, again, without going over a lot of our past
16 discussion, if one wanted to find out if there were those
17 characteristics one could look to the billing determinants
18 and to the cost and revenue analysis report. Would you
19 agree with that?

20 A Billing determinants reflect the characteristics
21 of the overwhelming number of mailers in that particular
22 subclass.

23 Q Okay, thanks. This is just a little follow-up to
24 your response to CRPAT-38-12. You stated in response to our
25 question -- our question was "Why is USPS using delivery

1 unit cost data for Standard A mail to calculate delivery
2 unit costs for periodicals?" -- and we made a reference to
3 your testimony.

4 You responded that delivery cost estimates for
5 Standard A provide the best proxy.

6 Is that something that was based on your own
7 review of CRA or other data that would verify that?

8 A I followed the historical precedents. Standard A
9 delivery costs were used in prior rate cases for periodicals
10 also, and when I talked to some people about the application
11 of these costs it appeared that they were a reasonable proxy
12 to be used for periodicals.

13 Q There are some significant weight per piece
14 differences, aren't there, between Standard A and periodical
15 regular rate as well as periodical nonprofit?

16 A Again that was not, like I said I looked at the
17 precedents and I talked to the people who do costing, and it
18 appeared that this was the best proxy available in absence
19 of a special study for periodical delivery costs.

20 Q But no one did a study or an analysis using
21 currently available data to see if in fact weight, average
22 haul, level of presort, that sort of thing, are similar in
23 Standard A as compared with periodical mail? Was any of
24 that done?

25 A I'll show my ignorance. I don't even know if

1 presort level and other things is a factor in delivery costs
2 or not. I am not exactly sure, and if they do, I relied on
3 the judgment of the people who did the cost of these if I
4 could use these as proxy for periodicals.

5 I did not do an independent analysis of that.

6 Q I understand, and so you relied on what you
7 considered to be trustworthy sources within the Postal
8 Service for your response to this question?

9 A Right.

10 Q Thanks.

11 If you would turn to 38-13, you disagreed with a
12 statement, quote, "There is no basis for granting discounts
13 which are much larger than the Postal Service savings."
14 That was a statement that, frankly, it was from the Postal
15 Rate Commission's recommended decision in MC 95-1. Whether
16 it came from the Commission or not, isn't the purpose of
17 work sharing discounts to reward mailers for actual costs
18 that they save USPS by performing the work?

19 A As a person who is required to do rate design, I
20 have to look at other factors and impact on the mailer is
21 one factor that we look at. And especially in the area of
22 bar code discounts, if you are looking at those, there were
23 three thoughts that I had. When we give a signal to the
24 mailing community, they make substantial investments to
25 follow through on our signals, and if you change those

1 signals overnight, that can cause a problem for the business
2 community.

3 Number 2, the overall rate increase was
4 significantly higher, as I have pointed out earlier, 12.7
5 percent compared to all the other classes, a 100 percent
6 discount, 100 percent passthroughs would have led to
7 increases of more than 20 percent for some rate cells, and
8 these were rate cells that had large volumes of mail in
9 them.

10 And, Number 3, my thought was that at least my
11 basic understanding of how flats processing is evolving at
12 the Postal Service, it is not settled, things are changing,
13 and it is possible that bar codes in the future environment
14 of different types of machines and doing ~~DFS~~^{DFS} at the plant
15 level will become more valuable.

16 So, given those three factors, the choice of
17 passthroughs, however unconventional they may look like, was
18 to meet those three thoughts that I had in terms of
19 designing the rates.

20 Q However, passthroughs within subclass, or within a
21 rate element like the automation per piece discounts, if the
22 passthroughs are increased, you have stated in your response
23 to T-38-14, CRPA, that assuming a given cost coverage, the
24 impact of any work sharing discount increases the overall
25 revenue required from the rest of the subclass and flows

1 through all the rate cells.

2 So, while you have attempted, through your
3 passthroughs, to mitigate some potentially large increases,
4 the revenue leakage, that I think is one of the technical
5 words that are thrown around here, so I will throw it around
6 a little bit.

7 A Okay.

8 Q Causes other users in the same subclass to pay
9 somewhat higher rates.

10 A The choice of passthroughs in the two filings that
11 I have done have been fairly consistent, and they have been
12 totally opposite in terms of how I have used them. In
13 R97-1, if I had used passthroughs of 100 percent, it would
14 have caused big increases for mailers that did less presort
15 and no bar coded mail, so my passthroughs were less than 100
16 percent in R97-1.

17 And in this particular case, the nature of the
18 cost studies would suggest that if I had 100 percent
19 passthroughs, the increase would be significantly higher for
20 those mailers that did more presort and had more bar coded
21 pieces. So, given the overall increase, the Postal
22 Service's major concern was that the rate cells should not
23 increase above -- let me see how to put it, 2 percent above
24 the overall increase, given that criteria.

25 I had a similar criterion in R97-1 of 10 percent

1 increase in any given rate cell, because of the overall
2 increase that we faced in that time period also. So, given
3 that, I have used passthroughs to mitigate the impact on
4 both small and large mailers in both of these cases.

5 Q Is the rate element which benefitted the most from
6 your decision to impose passthroughs higher than 100 percent
7 the per piece rate for carrier route mail, in the
8 periodicals subclass?

9 A The rate element that has the most volume would
10 probably be carrier route rate, but there were other rate
11 elements. All three levels of bar code mail, which is Basic
12 3 digit and 5 digit, were also affected by larger
13 passthroughs.

14 Q You are correct in your observation. However,
15 since the carrier route element within this volume is, as
16 you state, 40 percent, would the -- and I believe that is
17 for Regular rate mail, wouldn't that be the single-most
18 beneficiary of the decision to have higher than 100 percent
19 passthroughs?

20 A I have not done that calculation, but, based on
21 the volume in that particular cell, the amount of dollars
22 probably would be higher, but I have not done the
23 calculations.

24 Q And just for those who don't, I guess, read Postal
25 rate testimony all day, the carrier route -- sometimes it is

1 me -- the carrier route requirements, as you understand
2 them, mean that carrier route mail is not part of what you
3 and other witnesses have referred to as automation mail, is
4 that correct?

5 A By definition, carrier route mail is not automated
6 mail.

7 Q Because it already is, in effect, sorted to a
8 finer level than five digit presort, so it doesn't need the
9 bar code sorters and so forth that are sorting less finely
10 sorted mail, correct?

11 A I am still learning about the mail processing
12 portion of our industry, but I think you are accurate.

13 Q I think I can also agree with you about still
14 learning. According to your response to CRPA-38-17, you
15 stated that the passthrough for the five digit automation
16 category is 284 percent. Taking into account the other
17 passthroughs you have for other automation levels and for
18 your carrier route passthrough, isn't 284 percent quite a
19 bit more than the other passthroughs and why did you feel
20 you had to go that high in this particular case?

21 A As I said earlier, the criteria that I was using
22 was to make sure that none of the rate cells increased by
23 more than 2 percent, and that criteria dictated the use of
24 passthroughs.

25 Q So using the constraints that you used that just

1 happened to be the number that you came up with, you didn't
2 say I want something that is 284 percent. It just happened
3 that way?

4 A Any economist working in an ideal world would not
5 want to use a 284 percent pass-through but given the nature
6 of the cost increases, given the impact on the mailers, to
7 meet the pricing criteria requirements I thought we were
8 doing the best job possible to make sure that none of the
9 mailers are affected significantly more -- by the higher
10 increase that we were having at this point in time.

11 Q I am going to ask you as a last question to take a
12 moment and examine the attachments which I believe -- which
13 you prepared in response to CRPA/USPS-T38-17(b). If you
14 would just briefly take a look at them, there are three
15 tables, are there not, that you provided us to respond to
16 17(b)?

17 A Yes, there are three tables.

18 Q Okay. I think it might be helpful for the
19 understanding of anyone trying to understand the rate
20 situation in periodicals if you would kindly just go through
21 each chart and just simply in your own words identify what
22 that chart shows.

23 In other words, what is it meant to demonstrate?

24 A The question that you have asked in
25 CRPA/USPS-T38-17, "If all per piece rates pass through 100

1 percent of cost savings, what per piece rates would you
2 propose, number one, for the proposed outside counties of
3 class, and number two, for the separate, regular, and
4 nonprofit subclasses as illustrated in your response to
5 POIR-2, Question 1."

6 So basically the first chart that you are looking
7 at in the attachment to CRPA/USPS-T38-17(b)(1), that chart
8 reflects the passthroughs of 100 percent for all piece
9 rates.

10 Q And this chart assumes the -- other than the
11 passthrough of 100 percent, it is the rate design which you
12 propose in this case, in other words an outside county
13 periodical subclass which includes regular, classroom, and
14 nonprofit mail?

15 A Yes, sir. It is a combination of the three
16 subclasses that we have proposed, yes.

17 Q So the only difference between this chart and the
18 chart that is in your testimony and in the post office
19 filing for periodicals, outside county periodicals, is the
20 100 percent passthrough? Is that fair to say?

21 A The POIR also asked some other questions which led
22 me to correct some of the things that I had in my work
23 papers, and I think this one reflects the changes that I
24 made as a result of the POIR that asked me to -- this was
25 POIR-1 I believe that had asked me to make some corrections

1 on some divisions and multiplications I think, and those
2 corrections have been made, so this chart is a result of
3 those corrections being made also.

4 Q So with those corrections, those would be the
5 rates that you proposed except that this table also has at
6 my request the 100 percent passthrough on the per piece
7 rates?

8 A Yes, sir.

9 Q Okay. Let's go to second chart. What do these
10 rates represent?

11 A As the heading states, this is the attachment to
12 CRPA/USPS-T38-17(b)(2), and these are originally the rates
13 that were developed as a result of POIR-2, which was
14 designated by you earlier, with one change, and that change
15 was that all the piece rate passthroughs are 100 percent
16 also in this case, which is 17(b)(2). It has two pages.
17 One is regular rate. The other one is nonprofit.

18 Q Yes, so the third page, just for the clarity of
19 the record, the second page are regular rates and the third
20 page are nonprofit rates?

21 A That is true, sir.

22 Q And we understand that neither Chart 2 or Chart 3
23 are the proposal of the Postal Service but they do
24 demonstrate that it is possible using the data presented by
25 USPS to in fact construct two different rate schedules for

1 regular mail and for nonprofit mail, is that correct?

2 A The POIR-2 that we responded to, that demonstrated
3 that it was possible to construct two rate schedules, yes.

4 MR. FELDMAN: Thank you very much, Mr. Taufique.
5 I very much appreciate your responses.

6 Mr. Chairman, that is the end of the cross
7 examination from our part.

8 CHAIRMAN GLEIMAN: Is there any follow-up?
9 Questions from the bench?

10 Mr. Taufique, I am not going to ask any questions,
11 but I want to give you a heads-up. In Presiding Officer
12 Information Request Number 1, Question 5, part (f), you were
13 asked about RPW adjustment factors after rates, test year
14 rates.

15 THE WITNESS: Yes.

16 CHAIRMAN GLEIMAN: And we have been looking at
17 that and scratching our heads and have some concerns and you
18 should know that it is quite likely that we are going to
19 send another Presiding Officer's Information Request over
20 and give you a fact pattern and ask you to take a look at it
21 and to see if you reached the same conclusion given the
22 particular fact pattern as to, you know, whether you need to
23 have an RPW adjustment factor for after rates, test year
24 after rates.

25 THE WITNESS: Oh, okay.

1 CHAIRMAN GLEIMAN: Okay?

2 THE WITNESS: Sure.

3 CHAIRMAN GLEIMAN: So we won't take any time this
4 afternoon, but you will probably get that in fairly short
5 order.

6 THE WITNESS: Okay, sure. Thank you.

7 CHAIRMAN GLEIMAN: No one else has any questions
8 up here.

9 Do you want some time for redirect, Mr. Rubin?

10 MR. RUBIN: Yes. Let's take eight minutes or

11 ~~whatever~~ ^{seven.}

12 CHAIRMAN GLEIMAN: How about seven and a half?

13 MR. RUBIN: Tough bargain, but --

14 CHAIRMAN GLEIMAN: All right. We will assume it
15 is 10 minutes and if you get back sooner we will ring the
16 buzzer and take it from there.

17 [Recess.]

18 CHAIRMAN GLEIMAN: Mr. Rubin.

19 MR. RUBIN: Thank you.

20 REDIRECT EXAMINATION

21 BY MR. RUBIN:

22 Q Mr. Taufique, at the end of your cross
23 examination, you agreed that it would be possible to design
24 rates using 100 percent pass-throughs.

25 A Yes.

1 Q Looking at your attachments to CRPA ^{T38-17}~~238-17~~, the
2 first attachment provides outside county rates. Are there
3 any problems that result from using 100 percent
4 pass-throughs to design these outside county rates?

5 A Yes. The problems are significantly higher
6 increases for some of the rates, sir, and that is why the
7 pass-through that we used was to mitigate the impact of
8 these higher increases in many of the rate cells.

9 Q And the second and third attachment provide rates
10 for regular and non-profit using 100 percent pass-throughs.
11 Are there problems with these rates that resulted from the
12 100 percent pass-throughs?

13 A There's a dual problem over here. The reason to
14 combine these classes was to avoid rate anomalies, and so
15 even with the pass-throughs that we have used in our
16 proposal, we would have a problem with the anomalies if you
17 had two separate classes, and you can see it in many cases.
18 I'll point out the carrier route basic rate, which is 15.2
19 cents for regular and 14.6 cents in non-profit; the
20 difference is .6 cents. And if you look at the difference
21 between the editorial discount rate, which is 5.1, compared
22 to 6.5, that in itself means a big anomaly.

23 So there are two issues. Number one is that there
24 are rate anomalies; and number two, with 100 percent
25 pass-throughs, there are significantly higher increases than

1 what we as the Postal Service wanted to propose, wanted to
2 mitigate the impact of the overall increase.

3 MR. RUBIN: Thank you. That's all I have.

4 CHAIRMAN GLEIMAN: Is there any recross?

5 MR. FELDMAN: I just have one question, Mr.
6 Chairman.

7 RECROSS EXAMINATION

8 BY MR. FELDMAN:

9 Q I may not have heard you. That may be the
10 problem. On your -- I think it was your response to your
11 counsel's question about either the anomalies or the rate
12 impact on certain parts of the class, did you identify any
13 particular group or rate element that would be especially
14 hurt if we had the 100 percent pass-through?

15 A With 100 percent pass-throughs, the rate increases
16 for certain rate cells, especially bar-coded mail and
17 carrier route mail, would be significantly higher than what
18 we set as limits for ourselves in terms of proposing the
19 rate increase for periodicals.

20 Q Again, I'm sorry, I heard -- you said bar-coded
21 mail and what other kind of mail?

22 A Carrier route.

23 Q Carrier route. The bar-coded mail, though, I
24 mean, the impacts would vary, would they not? I mean, they
25 wouldn't all be uniform; they'd be different impacts.

1 A Yes, and my pass-throughs showed that the impacts
2 do vary.

3 Q They are evident in these charts.

4 A Right.

5 MR. FELDMAN: Thank you, Mr. Chairman. That
6 concludes it.

7 CHAIRMAN GLEIMAN: Any other recross?

8 [No response.]

9 CHAIRMAN GLEIMAN: If not, Mr. Taufique, that
10 completes your testimony here today. We appreciate your
11 appearance and your contributions to the record. We thank
12 you and you're excused.

13 [Witness excused.]

14 That concludes today's hearing. We'll reconvene
15 next Tuesday, May the 9th, at 9:30 a.m., and receive
16 testimony from Witnesses Baron and Raymond at that point in
17 time.

18 Thank you. You all have a nice evening and a nice
19 weekend.

20 [Whereupon, at 4:44 p.m., the hearing recessed, to
21 reconvene on Tuesday, May 9th, 2000, at 9:30 a.m.]

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