BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000–1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES OF MAGAZINE PUBLISHERS OF AMERICA (MPA/USPS–48 - 51)

The United States Postal Service hereby provides its response to the following interrogatories of Magazine Publishers of America: MPA/USPS–48 - 51, filed on May 3, 2000.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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May 12, 2000

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MPA/USPS-48. Please refer to W/S 10.0.3 P1 in USPS LR-I-80, CS10.xls. This worksheet calculates the mail shape adjustment, which reclassifies Rural Carrier Cost System (RCCS) letters as flats to ensure that letters as a percentage of letters plus flats (the flats percentage) matches letters as a percentage of letters plus flats in the National Mail Count. Please provide a revised version of CS10.xls using a mail shape adjustment that is calculated using annual RCCS data.

RESPONSE

This revised version of CS10.xls will be presented in a new Postal Service

Library Reference, USPS LR-I-335.

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MPA/USPS-49. Please refer to your response to MPA/USPS-1 (b), which states that the RCCS survey "is designed to produce precise annual estimates, with a sample size of over 6,000 tests. However, for the four-week period of the National Mail Count, only 352 RCCS tests were conducted.

a. Please provide the coefficient of variation for the RCCS flats percentage derived from the 352 tests conducted during the four-week National Mail Count.
b. Please provide the coefficient of variation for the RCCS flats percentage derived from all 6,000 tests.
c. What percentage of RCCS tests during the four-week period were rescheduled due to conflicts with the National Mail Count?

RESPONSE

To calculate coefficients of variation for the flats percentages, the flats percentage is defined as a ratio of two random variables - total flats (or mean flats), over total letters plus flats (or the sum of mean letters and mean flats). Each of the flats percentages is regarded as a sample estimate of this ratio. The formula for the standard error of these sample estimates is William Cochran's equation 2.46, found on page 32 of Sampling Techniques (John Wiley & Sons, 1977). The coefficient of variation is equal to the standard error divided by the estimated flats percentage.

a. The coefficient of variation is estimated to be 2.4% for the flats percentage derived from the four-week National Mail Count is derived from 333 tests that have both letters and flats volumes. (The revised response to MPA/USPS-1 states that there are 333 RCCS tests during the four weeks of the National Mail Count.) These 333 tests produce a flats percentage of 34.1%. The estimated standard error of this percentage is 0.0082510. This standard error

divided by the flats percentage of 34.1% produces a coefficient of variation of 2.4%.

b. The coefficient of variation is estimated to be .64% for the flats percentage derived from the full year sample. This estimate is derived from the 5,929 tests that have both letters and flats volumes. These 5,929 tests produce a flats percentage of 32.0%. The estimated standard error of this percentage is 0.0020447. This standard error divided by flats percentage of 32.0% produces a coefficient of variation of 0.64%.

c. The Postal Service does not track reschedules by cause. Originally, 406 tests were scheduled to be conducted during the four-week period. Of those, 106 were ultimately conducted outside of the period.

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MPA/USPS-50. Please confirm that the Postal Service has always used annual RCCS volumes (collected from the over 6,000 tests conducted throughout the entire year) to form the distribution keys used to allocate volume-variable rural Carrier costs to mail subclasses.

RESPONSE

Confirmed.

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MPA/USPS-51. Please refer to column 10 in W/S 10.1.1 in LR-I-80, CS10.xls.

a. Please confirm that the $762.266.000 estimate listed in cell L12 is the Postal Service's estimate of total annual volume-variable cost for the delivery of flats. If not confirmed, please explain.
b. Please also confirm that this $762.266.000 volume-variable cost, although an annual cost, is derived through an analysis of only four weeks of volume data collected during the National Mail Count. If not confirmed, please explain.
c. Please confirm that the Postal Service uses four weeks of National Mail Count data to derive annual volume-variable cost estimates because it regards the average Mail Count volumes by shape as representative estimates of average volumes by shape for all of FY 1998.

RESPONSE:

a. Confirmed.

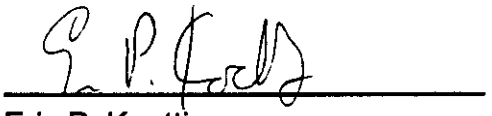
b. Confirmed.

c. Confirmed. The first step in the estimation of annual volume-variable costs for each of the variable evaluation categories (letters delivered, flats delivered, etc.) is to multiply average weekly volumes per route derived from the four-week National Mail Count by the appropriate evaluation-factor minutes per piece. This multiplication produces estimated carrier workhours per route for the different categories. The volume-variable cost for each category is set equal to that category's percentage of gross total weekly carrier time in all the variable-evaluation categories times total annual volume-variable cost. Thus, it is certainly true that the Postal Service's measures of annual volume-variable cost for the variable evaluation categories are based on volumes from just the four-week National Mail Count. This result implies that the Postal Service regards average weekly Mail Count

volumes as constituting representative estimates of average weekly volumes over the entire FY 1998 period.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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