

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 2000

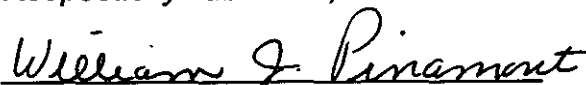
DOCKET NO. R2000-1

POSTAL RATE COMMISSION
OF THE SECRETARY

ANSWERS OF UNITED PARCEL SERVICE WITNESS
STEPHEN E. SELICK TO INTERROGATORIES
OF THE UNITED STATES POSTAL SERVICE
(USPS/UPS-T4-18, 19, 21 through 31, 33, and 34)
(June 16, 2000)

Pursuant to the Commission's Rules of Practice, United Parcel Service ("UPS") hereby serves and files the answers of UPS witness Stephen E. Sellick to interrogatories USPS/UPS-T4-18, 19, 21 through 31, 33, and 34 of the United States Postal Service. The Postal Service originally filed all of these interrogatories under seal. However, it has since informed UPS that only the answers to interrogatories 17, 20, and 32 need be filed under seal. The answers to those interrogatories are also being filed (but not served, except on the Postal Service).

Respectfully submitted,


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Of Counsel.

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USPS/UPS-T4-18. Please refer to page 9 of your testimony at lines 6-16 and to page 10 at lines 1-2 where you identify the four “primary types of errors that apply to Parcel Post records” labeled in the BRPW system documentation USPS-LR-I-25/R2000-1 as EFLAG values 2000 (empty R, P or W), 2500 (empty revenue per piece or pound), 3000 (revenue tolerance) and 3100 (weight tolerance). Please also refer to page 30 of your testimony at lines 14-15 where you state that “[t]he existing BRPW validation checks are essentially meaningless because of the high level of aggregation of the data.”

- a. Please confirm that the referenced Parcel Post records are permit imprint Parcel Post.
- b. Please confirm that this statement applies to the EFLAG error code 2000, used to identify raw PERMIT System input data records with a missing revenue, piece (volume) or weight value.

Response to USPS/UPS-T4-18.

- (a) Confirmed.
- (b) I am not sure what you mean by “this statement.” Note, however, that these EFLAG codes are not applied to “raw PERMIT System input data,” but rather to aggregated BRPW data records. If your point is that the level of aggregation has no

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bearing on a record which is missing revenue, piece (volume), or weight information, I
agree.

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USPS/UPS-T4-19. Please refer to the results of the two audit reports described on page 25 of your testimony in footnotes 11 and 12, and to lines 12-13 of that page where you state: "The audit reports are not the only source of information which suggests that the high level of aggregation in the BRPW data base [sic] masks errors in the Permit System data base [sic]."

- a. Please provide the number of times "parcel" or "parcels" is explicitly referred to in the two audit reports.
- b. Please provide the number of times "Parcel Post" is explicitly referred to in the two audit reports.
- c. Please provide the number of times "permit imprint" is explicitly referred to in the two audit reports.
- d. Please provide the number of times "permit imprint Parcel Post" is explicitly mentioned in the two audit reports.
- e. Please provide the revenue, volume or weight for any permit imprint Parcel Post bulk mailing cited in either of the two audit reports.

Response to USPS/UPS-T4-19.

(a)-(d) The term "permit imprint fees" is referred to a few times in the November 1997 report. Otherwise, I do not believe that the two cited audit reports use the words "parcel," "parcels," "Parcel Post," "permit imprint," or "permit imprint Parcel Post." The

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sections of the audit reports referred to in my testimony discuss “business mail entry” and “bulk mail acceptance” and the PERMIT System in general, which necessarily may include permit imprint Parcel Post. The quoted portion of my testimony refers to all of the audit reports that were compelled to be produced by the Postal Service and that are part of USPS-LR-I-323. I refer to the two cited reports as illustrative examples. The 48 redacted audit reports appear to follow a Postal Inspection Service format with a standard scope. The level of detail in the question may perhaps be found in the underlying auditors’ workpapers, which the Postal Service has not provided.

(e) The sections of the audit reports in question discuss systematic concerns (e.g., use of untrained personnel and non-supervisory use of supervisor override codes) and, unfortunately, do not quantify the impact of those observed problems.

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USPS/UPS-T4-21. Please refer to page 6 of your testimony at lines 10-14 where you state that the new postage statement form 3605-PR "... reduces the possibility that revenue, piece, and weight information for one category of mail ... will be erroneously reported as belonging to another category of mail"

- a. Please identify, explain, and provide copies of any evidence you have to support this statement and quantify both the reduced possibility of erroneous reporting and the volume, pieces or weight affected.
- b. Identify any postal operating or financial reporting procedural handbooks and manuals, including the DMM, that support of your statement.

Response to USPS/UPS-T4-21.

(a)-(b) I believe it is a logical conclusion that, since the new form is for one type of mail only (i.e., permit imprint Parcel Post) and the old form was for up to three types of mail (i.e., Parcel Post generally, Bound Printed Matter, and Priority Mail), mailer and postal acceptance personnel confusion and incorrect data entry are much less likely with the new form. Unfortunately, no data is available to quantify the reduced possibility of erroneous reporting.

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USPS/UPS-T4-22. Please refer to USPS-LR-I-194/R2000-1 and to page 10 of your testimony at lines 12-13 where you restate witness Hunter's assertion that "[i]f the [failed edit] record does not 'materially' affect the final result, the record may not be corrected. Tr. 2/1030."

- a. Please confirm that such records for the permit imprint Parcel Post mail category are dropped from processing in Job 3 of the BRPW jobstream.
- b. Please confirm that no revenue, pieces or weight data are imputed for permit imprint Parcel Post under the BRPW for the FY 1998 period exclusive of any blowup factors used in the BRPW.

Response to USPS/UPS-T4-22.

- (a) Confirmed.
- (b) Not confirmed. Missing AP information does appear to be imputed for Parcel Post in certain instances.

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USPS/UPS-T4-23. Please refer to page 26 of your testimony at lines 5-9 where you state that the piece weight found on Forms 8125 “demonstrates” and “suggests that Standard Mail (A) pieces have been recorded as Standard (B) Parcel Post in the PERMIT system”

- a. Please confirm that you believe the volume and weight information shown on a Form 8125 is more accurate than the volume and weight information required on the postage statement that computes the mailer’s postage. Please explain fully.
- b. Please confirm that you believe the Postal Service should change its bulk mail acceptance procedures to use Form 8125 information for official financial recordation and documentation purposes in place of bulk mail postage statements such as Form 3605-PR which is used for permit imprint Parcel Post mailers. Please explain fully.
- c. Please confirm that you identify no means by which mailing requirements would allow a mailer to compute postage for a Standard Mail (A) mailing at a lower Standard Mail (B) rate for the FY 1998 period. If not confirmed, please explain fully.
- d. Please confirm that there are no DMM or other Postal Service manual or handbook references of which you are aware that specify what postage statement might be used by the mailer of a Standard Mail (A) mailing for which postage might be computed at a lower Standard Mail (B) rate. If not confirmed, please explain fully.

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- e. Please identify, explain and provide copies of any evidence you have that counts or quantifies such incorrect recordation for the FY 1998 period.
- f. Please confirm that you have no reason to expect that incorrect recordation of Standard Mail (A) as Standard Mail (B) is any more likely than recordation of Standard Mail (B) as Standard Mail (A). If not confirmed, please explain fully and provide any evidence to support your explanation.

Response to USPS/UPS-T4-23.

(a) Not confirmed. My testimony to which you refer states that "A review of the produced Form 8125s shows instances in which the mail class indicated is Standard (B) DBMC Parcel Post whereas the piece weight demonstrates that the mail cannot possibly be Parcel Post but rather must actually be Standard Mail (A). . . . This suggests that Standard Mail (A) pieces have been recorded as Standard (B) Parcel Post mail in the PERMIT system, thus infecting the BRPW estimates." I have observed that the information on certain Form 8125s, which is supposed to match the information on the postage statements to which they relate, suggests that volume and weight information has been inaccurately entered into the PERMIT System. Unfortunately, the Postal Service has not produced the postage statements which correspond to the produced Form 8125s. (In fact, it has refused to produce all but two or three 1999 postage statements.) There are two possibilities: (1) The information on the Form

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8125 matches that on the postage statement to which it relates. In that case, errors on the produced Form 8125s reflect errors on postage statements, so that the postage statement information entered into the PERMIT System data base is wrong; (2) The information on one form does not match that on the other form. In that case, the information on the postage statement that is entered into the PERMIT System data base may or may not be wrong, but, in any event, there is no assurance that the information on the postage statement accurately reflects the characteristics of the mail that is actually physically entered into the mailstream when the Form 8125 is presented to the Postal Service with that mail.

(b) Not confirmed. I have made no such statement. Note that Form 3605-PR indicates that it was not available until January 1999.

(c) Not confirmed. See § 341 of the Domestic Mail Classification Schedule.

(d) I have not done an exhaustive search of the entire Domestic Mail Manual or of all Postal Service manuals or handbooks. However, see, e.g., Domestic Mail Manual Issues 52 (July 1, 1997) and 53 (January 1, 1998), § P750, ¶ 2.7.

(e) The level of aggregation of the information provided by the Postal Service has made such an analysis impossible. The Postal Service has refused to provide the disaggregated data which might make such an analysis possible.

(f) There is insufficient evidence available one way or the other that permits me to confirm or not confirm this statement. However, since the average weight of

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Parcel Post exceeds five pounds and about sixty percent of Parcel Post volume weighs in excess of two pounds, it strikes me as unlikely that this volume could be mistaken as Standard (A) mail, which must weigh less than one pound. On the other hand, it is not as unlikely that Standard (A) parcels, which have an average weight of almost twelve ounces, may be mistaken for 16 ounce pieces, the minimum weight of a Parcel Post piece.

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USPS/UPS-T4-24. Please refer to page 29 of your testimony at lines 10-12 where you state that "... if a permit imprint Parcel Post piece is incorrectly recorded as, say, a metered piece, it is incorrectly counted in both the DRPW system and in the BRPW system."

- a. Please identify, explain and provide copies of any evidence you have that counts or quantifies such incorrect recordation for the FY 1998 period.
- b. Please confirm that you have no reason to expect that any incorrect recordation in the other direction (metered recorded as permit imprint) in the DRPW, is less likely. If not confirmed, please explain fully and provide any evidence to support your explanation.

Response to USPS/UPS-T4-24.

(a) Unfortunately, there is no information available which permits the frequency with which this occurs to be quantified. Such a quantification may not be possible without a special study.

(b) I have no basis to confirm or not confirm this statement.

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USPS/UPS-T4-25. Please refer to page 30 of your testimony at lines 17-19 where you state that “[t]he new system provides less detail on the volume of mail by weight increment, rendering billing determinants less accurate than under the DRPW-only system.”

- a. Please provide your understanding of how billing determinants are developed for Parcel Post.
- b. Please explain fully how and why the billing determinants are now less accurate, and quantify the level of any inaccuracy.
- c. Please provide all supporting documentation and include any computations required to quantify the level of any inaccuracy for your answer to part (b).

Response to USPS/UPS-T4-25.

(a) As described in the Postal Service's response to UPS/USPS-T5-86(a)-(b), “the billing determinants pull information from RPW and other data sources to develop a distribution of Parcel Post pieces to weight cell within zone for each category.” Tr. 21/9337-38. As also described in that interrogatory response, the combined BRPW and DRPW Parcel Post estimates are distributed to zone based on actual information from the respective systems. BRPW includes zone information, as does DRPW, but not weight by zone, which is collected in the DRPW system, so that the estimated

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distribution of weight by zone must be based solely on information from the DRPW system.

(b)-(c) Billing determinants are less accurate under the joint BRPW/DRPW approach because the distribution of BRPW Parcel Post estimates to weight within zone are assumed to be the same as the DRPW estimates, when they may not be the same. See my response to (a), above. Previously, when the Parcel Post estimates were based entirely on DRPW, that assumption was not necessary. Furthermore, it is not clear from the information provided by the Postal Service whether the joint BRPW/DRPW method bases the BRPW distribution of weight by zone on the permit imprint data available from DRPW, the non-permit imprint data available from DRPW, or total DRPW Parcel Post. It is not possible to quantify the inaccuracy in the absence of more information than is now available, and such quantification was not necessary for my testimony.

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USPS/UPS-T4-26. Please refer to pages 21-22 of your testimony under section B where you criticize BRPW edit checks that apply a tolerance of 5 percent as failing to exclude BRPW records that are out of range. Please assume that in time period t-1, a BRPW record (record 1) passes the BRPW edit checks and that the record indicates an average piece weight that is 104 percent of the per-piece maximum for that category. Please also assume that in time period t, a second PERMIT System record (record 2) is subsequently reported containing a correction of the original data underlying the apparently overweight pieces in record 1, and that this record indicates a negative per piece weight of the same magnitude.

- a. Should record 1 be excluded? Please explain your answer completely.
- b. Should record 2 be excluded? Please explain your answer completely.
- c. Should record 1 and record 2 be excluded and in what time period: t or t-1? Please explain completely.
- d. Assuming both records were excluded by edit checks, what impact would you expect this to have on the quality of BRPW annual results?

Response to USPS/UPS-T4-26.

(a)-(d) Your example highlights both the ineffectiveness of the current regime of error checks as well as the inherent difficulty in attempting to apply meaningful error checks to aggregated data. The "extra" revenue, weight, and/or pieces in the first

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record at time t-1 (which, at 104% of maximum, would not be excluded) would overstate revenue, pieces, and/or weight, if in time period t other mailings or corrections brought record 2, in aggregate, "outside" the tolerance of the edit checks (e.g., negative 106% of tolerance). In any event, the aggregation of the records makes any edit checking process difficult and subject to error.

In your specific example, assuming the "record" is for a single shipment, the treatment should be either that both records are included or that both records are excluded. If both were included, the "net" revenue, pieces, and weight across the two periods would be "correct." If both records were excluded, "true" revenue, pieces, and weight would be mis-stated in the absence of (a) a unique trial balance account adjustment, or (b) other errors which happen to offset the result in the example. If the record is not for a single shipment, then one cannot say without more information whether and what records should be included or excluded.

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USPS/UPS-T4-27. Please refer to page 23 of your testimony and lines 14-16. Please explain and provide all supporting data relied upon in your claim that the DRPW permit imprint Parcel Post zone/weight distribution differs from that of the BRPW zone/weight distribution.

Response to USPS/UPS-T4-27.

I have not claimed that the DRPW permit imprint Parcel Post zone/weight distribution differs from that of the BRPW zone/weight distribution. I have pointed out that the Postal Service methodology assumes that it is the same without, so far as I have seen, any supporting analysis. This concern was also expressed in the A.T. Kearney study referred to on page 23 of my testimony. Please also see my response to USPS/UPS-T4-25.

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USPS/UPS-T4-28. Please refer to your testimony at pages 23-24.

- a. What imputation method do you understand that the Postal Service uses?
- b. What imputation methods have you studied? For each, please explain your understanding of their respective strengths and weaknesses, and compare each to the method applied by the Postal Service.
- c. What are the results of using these different imputation methods on the Postal Service's estimates for the FY 1998 period?

Response to USPS/UPS-T4-28.

(a) I have not studied the method used by the Postal Service in detail. It is not clear from the information provided by the Postal Service whether the current method bases the BRPW distribution of weight by zone on the permit imprint portion of DRPW, the non-permit imprint portion of DRPW, or total DRPW Parcel Post.

(b) I have, as would any quantitative analyst, utilized a number of "imputation methods" in my career. The particulars of any given method will vary depending on the available information, the time available to conduct an analysis, the cost of an analysis, the significance of the result, and one's expectations as to the difference made by employing alternative methods. These and other factors would need to be weighed in any particular situation. The referenced section of my testimony simply points out that using DRPW-only estimates of Parcel Post volume would provide an internally

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consistent basis for estimating weight by zone without the need for any assumptions as to how good a predictor any of the DRPW estimates are for the actual BRPW distribution.

(c) I have not attempted to determine the results under any alternative methodologies, nor is such a determination necessary to my testimony.

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USPS/UPS-T4-29. Please refer to your testimony at page 24, lines 7-15.

a. Please confirm that you believe the edit checks applied to records in a sampling system should also be applied to records built upon a census of information.

Explain fully your response.

b. Please confirm that your statement at lines 7-9 is analogous to a claim that an analysis of national results of the United States Census does not permit "any meaningful examination" of individual census response forms. Explain fully any negative response.

c. Is it your understanding that examination of national level results based upon a census should permit meaningful examination of individual input records? Please explain fully your response.

d. Please identify and provide copies of any other work that you or others working with you or under your supervision performed in which national level counts are used to inform estimates of the reliability of respective underlying input records.

e. Is it your understanding that the BRPW edit checks are the sole basis on which the reliability of PERMIT System records can or should be based? Please explain fully.

f. Are you aware of any basis beyond the BRPW edit checks that could be used to interrogate the reliability of national level BRPW results? Please explain fully.

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Response to USPS/UPS-T4-29.

(a) Not confirmed. Records in a sampling system may require different edit checks than those built upon a census-based system.

(b) Examination of the national results of the U.S. Census is not the same as an examination of individual census response forms.

(c) It is my view that in this case, full examination of the accuracy of the aggregated BRPW results cannot be undertaken without an examination of the underlying input records.

(d) I cannot recall any such instances.

(e) No. My understanding is that the PERMIT System has certain built-in checks which attempt to limit the input of information into the system. The input of a supervisor code allows for the override of those checks; as documented in previously cited audit reports, however, non-supervisors have used, without approval, supervisory codes to override checks.

(f) Not in the absence of disaggregated data.

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USPS/UPS-T4-30. Please refer to your testimony at pages 25-26. Please explain each response in detail:

- a. Please identify the sequence in which you understand that Forms 8125 and postage statements are completed.
- b. Is it your understanding that PERMIT System records are based on Forms 8125?
- c. Is it your understanding that PERMIT System records are based on postage statements?
- d. If a postage statement and a Form 8125 are inconsistent, which should be used as input for the PERMIT System?
- e. Is it your understanding that Form 8125 is the basis on which mailers' postage charges are based?

Response to USPS/UPS-T4-30.

- (a) My understanding is that the postage statement is completed prior to the completion of Form 8125.
- (b) No.
- (c) My understanding is that, for permit imprint Parcel Post records, the PERMIT System is based on postage statements.
- (d) The point is that the information on both sets of forms should be consistent, and the existence of an inconsistency indicates a data problem. If in the

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process of completing a Form 8125 an error is discovered in the information entered on the related postage statement (and therefore in the information entered into the PERMIT System), the PERMIT System data should be corrected.

(e) No.

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USPS/UPS-T4-31. Please explain your page 10 reference, lines 14-15, where you state that "... the remaining records are again run through Jobs - through 3." Please describe fully your understanding of this process.

Response to USPS/UPS-T4-31.

In his interrogatory responses and on oral cross-examination, as well as (I understand) during the BRPW technical conference, Mr. Hunter described an "iterative" process by which Jobs 1 through 3 were run, any aborts or material eflags were resolved to the operator's satisfaction, and then the programs (Jobs 1 through 3) were run again until they ran without aborting and material eflags were all resolved to the operator's satisfaction.

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USPS/UPS-T4-33. Please refer to page 11 of your testimony at lines 17-18 in which you state that “[t]his trial balance reconciliation process provides an important ‘check’ on the BRPW estimates.”

- a. Please confirm that you believe the 1.009208 (rounded) factor was not constructed for temporary use until a permanent AIC for permit imprint Parcel Post is established. Please explain your answer.
- b. Please confirm that during the FY 1999 period, the Postal Service replaced the interim period factor with a factor tied to the newly established AIC 223 trial balance revenue account.

Response to USPS/UPS-T4-33.

(a) I am unaware of whether the 1.009208 factor was “constructed for temporary use.” My testimony is based on its use during the FY1998 period.

(b) Confirmed that at some point during FY1999, the Postal Service implemented a newly established trial balance revenue account for Parcel Post.

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USPS/UPS-T4-34. Please refer to page 12 of your testimony at lines 6-8 where you proclaim that the BRPW estimates were increased based on a "...survey of 42 non-PERMIT offices". Please also refer to Attachment A of USPS-LR-I-230/R2000-1.

- a. Please confirm that it is your understanding that the population surveyed was of size 42. If not confirmed, please explain fully.
- b. Please confirm that the count of offices reporting non-zero revenue in the survey shown in Attachment A is 9,799. If not confirmed, please explain fully.
- c. Please confirm that the factor of 1.009208 (rounded) is constructed as shown in the handwritten formula shown at the bottom of Attachment A. If not confirmed, please explain fully.

Response to USPS/UPS-T4-34.

(a) Not confirmed. My understanding is that a survey was conducted to develop the 1.009208 (rounded) factor to "account for residual non-automated office activity." See USPS-LR-I-230, page 1. I inferred from the response to USPS/UPS-T5-4 (Tr. 2/811), which provides a table entitled "FY 1998 BRPW non-automated office segment," that there were 42 non-automated permit imprint sites for permit imprint Parcel Post. Unfortunately, the Postal Service has not yet produced the details of the survey.

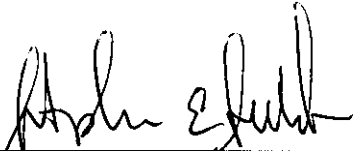
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(b) I can confirm that the sum of the "Freq" column in Attachment A (Appendix A, page 5) to USPS-LR-I-230 appears to be 9,799. The documentation provided in USPS-LR-I-230 does not describe Attachment A in any detail, so I cannot confirm that this represents the count of offices reporting non-zero revenue in the survey, as you suggest.

(c) I can confirm that the result of the handwritten formula shown at the bottom of Attachment A to USPS-LR-I-230, using the numbers in Attachment A, results in the 1.009208 (rounded) factor.

DECLARATION

I, Stephen E. Sellick, hereby declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.



Stephen E. Sellick

Dated: June 16, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.


William J. Pinamont
William J. Pinamont

Dated: June 16, 2000
Philadelphia, PA

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