

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000)

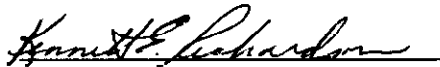
Docket No. R2000-1

OFFICE OF THE CONSUMER ADVOCATE
REVISION TO THE TESTIMONY OF
WITNESS: J. EDWARD SMITH (OCA-T4)(ERRATUM)
(June 28, 2000)

The Office of the Consumer Advocate hereby provides notice that it is today filing a revision to page 5 of the testimony of witness Smith (OCA-T-4) by deleting the clause on lines 5-6 "holding delivery points and other non-volume factors constant" at the end of the sentence. This revision is necessary to eliminate an inappropriate restriction on the volume variability definition as previously indicated in witness Smith's response to USPS/OCA-T4-11(b) and to eliminate any uncertainty as evidenced by Postal Service interrogatories USPS/OCA-T4-33 and 34(b). A copy of the revised page is attached.

Respectfully submitted,

OFFICE OF THE CONSUMER ADVOCATE



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III. INTRODUCTION: VOLUME VARIABILITY OF MAIL PROCESSING COSTS

A. Both Dr. Bradley and Dr. Bozzo Have Presented Analyses of Segment 3 Mail Processing Costs.

Volume variability for mail processing is defined as the percentage change in cost that results from a percentage change in volume. Both Dr. Bradley and Dr. Bozzo measured costs in terms of person hours of segment 3 mail processing effort. Dr. Bradley measured volume in terms of total pieces handled (TPH), and Dr. Bozzo measured volume in terms of total pieces fed (TPF) or in some cases total pieces handled (TPH). The econometrically estimated variabilities of Drs. Bradley's and Bozzo's testimony are presented in Table 1.

The Postal Service operates over 38,000 offices, stations, branches, and processing and distribution centers providing for mail collection, processing and sorting, and delivery. The mail processing plants, where the segment 3 labor costs are generated, prepare the mail, sort the mail to three or five digits, and dispatch the mail to subsequent destinations for additional sorting or distribution. In his testimony in Docket No. R97-1, Dr. Bradley modeled 25 mail processing and handling activities at the major mail processing plants (denoted as MODS facilities) and at Bulk Mail Centers (BMCs).⁴ Dr. Bozzo has limited his updated study to the analysis of ten mail sorting activities in the MODS operations. As was well documented in Docket No. R97-1, there was

⁴ MODS offices perform the various sorting activities and report costs and volumes through the Management Operating Data System; non-MODS offices tend to be smaller, perform the same types of functions as do MODS offices, but do not report through the Management Operating Data Systems. There are over 300 MODS offices. The number of non-MODS offices is substantially larger. The 21 Bulk Mail Centers (BMCs) process packages and report their data through the Productivity Information Reporting System (PIRS).

CERTIFICATE OF SERVICE

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

A handwritten signature in black ink, appearing to read "Kenneth E. Richardson". The signature is written in a cursive style with a large initial "K".

KENNETH E. RICHARDSON

Washington, D.C. 20268-0001
June 28, 2000