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

Postal Rate and Fee Changes   )   Docket No. R2000-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF THE UNITED STATES POSTAL SERVICE
WITNESS: MARK EWEN (USPS/OCA-T5-38-41)
(July 24, 2000)

The Office of the Consumer Advocate hereby submits the answers of Mark Ewen

to interrogatories USPS/OCA-T5-38-41, dated July 10, 2000.   Each interrogatory is

stated verbatim and is followed by the response.

Respectfully submitted,

Emmett Rand Costich

TED P. GERARDEN
Director
Office of the Consumer Advocate

EMMETT RAND COSTICH
Attorney

1333 H Street, N.W.
Washington, D.C. 20268-0001
(202) 789-6830; Fax (202) 789-6819

USPS/OCA-T5-38. Please refer to your response to USPS/OCA-T5-17(b)(1). The beginning of this interrogatory defined the concept of "PRC accrued coverage-related load time cost" and part (b) derived a value of 6.65 seconds for PRC accrued coverage-related load time per SDR stop. The interrogatory then asked you to confirm that 6.65 seconds in PRC accrued coverage-related load time per SDR stop is an estimate of the average additional load time that is caused specifically by a carrier going to a new, previously uncovered SDR stop in response to volume growth. The first three sentences of your answer to this question, were as follows:

> Not confirmed. Coverage-related costs vary by type of stop. The average value, assuming, arguendo. it is coverage-related, is not relevant for cost attribution.

(a)   Do you confirm that 6.65 seconds equals the ratio of $612,733,394[1] in PRC accrued coverage-related SDR load time cost to the average FY 1998 city carrier wage rate of $25.92/hour, or 23,639,406 hours, times 3600 seconds per hour divided by the 12,802,475,000 in aggregate annual SDR actual stops? If you do not confirm, please explain the error in this calculation of 6.65 seconds.

(b)   Do you confirm that FY 1998 PRC accrued coverage-related load time per SDR stop is 6.65 seconds? If you do not confirm, please present your alternative measure of FY 1998 PRC accrued coverage-related load time per SDR stop, and explain how you derive this alternative measure.

(c)   If you can neither confirm nor deny that 6.65 seconds is the correct measure of FY 1998 PRC accrued coverage-related load time per SDR stop, please state whether you have any reason to believe that 6.65 seconds is not an accurate measure of FY 1998 PRC accrued coverage-related load time per SDR stop. Please explain these reasons fully.

RESPONSE TO USPS/OCA-T5-38:

(a)   Confirmed.

(b) and (c)   I confirm that 6.65 seconds represents a measure of FY 1998 average

coverage-related load time per SDR stop.

---

[1] This was reported to the nearest $1,000 in USPS/OCA-T5-17(b).

USPS/OCA-T5-39. Please refer to your response to USPS/OCA-T5-21. This interrogatory stated that "the ratio of SDR coverage-related load time per stop (6.65 seconds) to SDR elemental load time per stop (10.40 seconds) is 63.89%, and that the ratio of BAM coverage-related load time per stop (17.35 seconds) to BAM elemental load time per stop (18.88 seconds) is 91.91%." The interrogatory then asked that if you do not confirm "that the ratio of coverage-related load time per actual stop to elemental load time per actual stop is much higher for BAM stops than for SDR stops," then "please explain why the ratio of PRC coverage-related load time to elemental load time is about 64% for SDR stops but nearly 92% for BAM stops." Your response stated:

> [a]ssuming arguendo, the interrogatory's figures are accurate, coverage-related time for SDR stops is 39 percent of average stop time, and coverage-related time for BAM stops is 48 percent of average stop time. I have not performed any analysis to assess the statistical significance of that difference and have no opinion as to whether that difference can be appropriately characterized as 'much higher.'

(a)   Do you confirm that FY 1998 PRC accrued coverage-related load time per BAM stop equals 17.35 seconds? If you do not confirm, please present your alternative measure of FY 1998 PRC accrued coverage-related load time per BAM stop, and explain how you derived this alternative measure.

(b)   If you can neither confirm nor deny that 17.35 seconds is the correct measure of FY 1998 PRC accrued coverage-related load time per BAM stop, please state whether you have any reason to believe that 17.35 seconds is not an accurate measure of FY 1998 PRC accrued coverage-related load time per BAM stop. Please explain these reasons fully.

(c)   Do you confirm that for SDR stops, the ratio of PRC accrued coverage-related load time per stop to elemental load time per stop is 0.6389, and that for BAM stops, the ratio of PRC accrued coverage-related load time per stop to elemental load time per stop is 0.9191? If you do not confirm, please present your alternative measures of PRC accrued coverage-related load time per stop to elemental load time per stop for SDR and BAM stops, respectively, and explain how you derive these alternative measures.

(d)   if you can neither confirm nor deny that for SDR stops, the ratio of PRC accrued coverage-related load time per stop to elemental load time per stop is 0.6389, and that for BAM stops, the ratio of PRC accrued coverage-related load time per stop to elemental load time per stop is 0.9191, then please answer the following. Do you have any reason to believe that 0.6389 is an inaccurate measure of the ratio of PRC accrued coverage-related load time per stop to elemental load time per stop for SDR stops, and that 0.9191 is an inaccurate measure of the ratio of

PRC accrued coverage-related load time per stop to elemental load time per stop for BAM stops? Please explain these reasons fully.

(e)   Do you have any reason to believe that the 0.2802 difference by which the BAM ratio of PRC accrued coverage-related load time per stop to elemental load time per stop exceeds the corresponding SDR ratio is not statistically significant? If yes, please explain these reasons fully.

RESPONSE TO USPS/OCA-T5-39:

(a) and (b)   I confirm that 17.35 seconds represents a measure of FY 1998 average coverage-related load time per BAM stop.

(c)   I confirm that the ratio of total coverage-related load time to total elemental load time for SDR stops is 0.6389. It follows that the presented measure of the ratio of average coverage-related to average elemental load time per stop, as it is calculated, will also equal 0.6389. This same conclusion holds for BAM stops.

(d)   N/A

(e)   Yes. Until this difference is subject to a statistical test, it is reasonable to hypothesize that these measures are either statistically the same or statistically different.

USPS/OCA-T5-40. Please refer to your response to USPS/OCA-T5-19. This interrogatory asked you to "explain fully why the PRC costing methodology uses a different distribution method to allocate SDR elemental load time cost across mail subclasses tha[n] it uses to allocate SDR coverage-related load time cost across mail subclasses." In your answer, you stated that:

> SDR elemental load time costs are properly attributed to all classes of mail based on the volume-related elasticities derived from the LTV regressions. SDR coverage-related load time costs are not 'allocated across mail classes.' A portion of SDR coverage-related load costs are assigned to individual subclasses of mail based on the single subclass stop method.

Please explain fully why the PRC costing methodology uses a different method to attribute SDR elemental load time costs to mail subclasses than it uses to attribute SDR coverage-related load time costs to mail subclasses. If you believe the term "attribute" is inappropriately applied to coverage-related load time cost, please explain fully why the PRC costing methodology uses a different method to attribute SDR elemental load time costs to mail subclasses than it uses to assign SDR coverage-related load time costs to individual mail subclasses.

RESPONSE TO USPS/OCA-T5-40:

It is my understanding that the PRC uses a different methodology for the different load time components because it has identified for each of the two components a different method for establishing a causal relationship between load time costs and mail volumes. For elemental load time costs, the PRC employs a volume variability, or marginal cost, approach for attributing these costs. For coverage-related load time costs, it employs an incremental cost approach using single subclass stop ratios. See, for example, PRC Op. R94-1, ¶'s 3095-152.

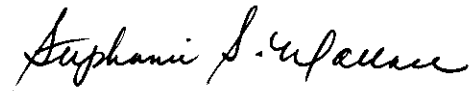USPS/OCA-T5-41. Please refer to your answer to USPS/OCA-T5-28.

(a)   Please confirm that the single subclass stop ratios that the Commission's
        methodology applies to accrued SDR, MDR, and BAM coverage-related load
        time costs in order to compute corresponding attributable coverage-related load
        time costs are the same single-subclass stop ratios that the Commission's
        methodology applies to accrued SDR, MDR, and BAM access costs,
        respectively, to compute corresponding attributable access costs.

(b)   If you do not confirm, please show how the single subclass stop ratios applied by
        the Commission's methodology to accrued coverage-related load time costs in
        order to attribute these costs to mail subclasses differ from the single subclass
        stop ratios applied by the Commission's methodology to accrued access costs in
        order to attribute these costs to mail subclasses.

RESPONSE TO USPS/OCA-T5-41:

(a)   Confirmed.

(b)   N/A

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.

Stephanie S. Wallace

Stephanie S. Wallace

Washington, DC 20268-0001
July 24, 2000