

**ORIGINAL**  
**Official Transcript of Proceedings**

*Before the*  
**UNITED STATES POSTAL RATE COMMISSION**

In the Matter of: **POSTAL RATE AND FEE CHANGE**

Docket No. **R2000-1**

**VOLUME 37**

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

DATE: **Tuesday, August 22, 2000**

PLACE: **Washington, D.C.**

PAGES: **16928 - 17041**

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POSTAL RATE COMMISSION  
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BEFORE THE  
POSTAL RATE COMMISSION

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In the Matter of: :  
POSTAL RATE AND FEE CHANGE : Docket No. R2000-1  
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Third Floor Hearing Room  
Postal Rate Commission  
1333 H Street, N.W.  
Washington, D.C 20268

Volume XXXVII  
Tuesday, August 22, 2000

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:30 a.m.

BEFORE:

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

BEFORE THE  
POSTAL RATE COMMISSION

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In the Matter of: :  
POSTAL RATE AND FEE CHANGE : Docket No R2000-1  
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Third Floor Hearing Room  
Postal Rate Commission  
1333 H Street, N.W.  
Washington, D.C 20268

Volume XXXVII  
Tuesday, August 15, 2000

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:30 a.m.

BEFORE:

HON. EDWARD J. GLEIMAN, 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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## 1 APPEARANCES: (continued)

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C O N T E N T S

WITNESS	DIRECT	CROSS	REDIRECT	RECROSS
STEPHEN E. SELLICK				
BY MR. McKEEVER	16940			
BY MR. MAY		16966		
BY MR. HOLLIES		16992		

DOCUMENTS TRANSCRIBED INTO THE RECORD:		PAGE
Response of Stephen E. Sellick		
Information Request No. 19		16941
Supplemental Direct Testimony of		
Stephen E. Sellick, UPS-ST-1		16948
PSA/UPS-ST-1 and PSA/UPS-ST-2		17017

E X H I B I T S

EXHIBITS AND/OR TESTIMONY	IDENTIFIED	RECEIVED
Response of Stephen E. Sellick		
Information Request No. 19		16941
Supplemental Direct Testimony of		
Stephen E. Sellick, UPS-ST-1		16948

## P R O C E E D I N G S

[9:22 a.m.]

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3 CHAIRMAN GLEIMAN: Good morning. Today we begin  
4 our final set of hearings on Docket R2000-1 for the purpose  
5 of considering Postal Service request for changes in rates  
6 and fees.

7 We'll be receiving supplemental testimony from  
8 United Parcel Service Witness Sellick. In the days to come,  
9 we'll be hearing from witnesses presenting supplemental  
10 testimony, updating presentations to reflect more recent  
11 cost information, and testimony in rebuttal to the direct  
12 case of participants other than the Postal Service.

13 I have several procedural matters before we begin  
14 today:

15 First, two participants have filed requests to  
16 adjust our schedule. This morning, I'm issuing Presiding  
17 Officer's ruling granting those two requests.

18 As a result of that ruling, supplemental testimony  
19 of the Major Mailers Association presented by Witness  
20 Bentley will be heard as the first order of business on  
21 Tuesday, August 29th.

22 Additionally, Parcel Shippers Association Witness  
23 Wittnebel will be the first to appear on Friday, the 25th.

24 Last night, the Commission received six pieces of  
25 testimony filed in response to Notice of Inquiry Number 4.

1 The testimony was submitted by the Magazine Publishers of  
2 America, the Office of the Consumer Advocate, the United  
3 Parcel Service, and the United States Postal Service.

4 United Parcel Service sponsors testimony from  
5 Witness Neels, which also includes a response to Presiding  
6 Officer Information Request Number 19, Question 1.

7 There is a pending motion to adjust the date when  
8 the response to POIR-19, Question 1, would have to be filed.

9 Since the response has been filed, the motion is  
10 moot. However, it now appears that it may be unnecessary to  
11 schedule hearing after Labor Day for the cross examination  
12 of that response.

13 Postal Service Witnesses on NOI-4 -- Postal  
14 Service Testimony on NOI-4 will come from three witnesses,  
15 Bozzo, Bradley, and Green. They have also submitted  
16 rebuttal testimony that will be received in this next round  
17 of hearings.

18 The Postal Service has requested that testimony  
19 responsive to NOI-4 be received into evidence and subject to  
20 cross examination at the same time these witnesses present  
21 their rebuttal testimony.

22 Is there any objection to this procedure?

23 [No response.]

24 CHAIRMAN GLEIMAN: If there is none, then the  
25 question arises, Mr. McKeever, with regard to Witness Neels,

1 who is also presenting rebuttal testimony. Do you have a  
2 preference as to whether he presents his supplemental  
3 testimony separate from his rebuttal testimony?

4 MR. McKEEVER: Our preference, Mr. Chairman, is  
5 that Dr. Neels appear but one time on both pieces of  
6 testimony, whatever date that is, that it be scheduled at  
7 the same time.

8 CHAIRMAN GLEIMAN: All right, that's our  
9 preference also.

10 That leaves us with Magazine Publishers of America  
11 Witness Elliot, who will be presenting rebuttal testimony on  
12 August 25th.

13 Does any party think that they will not have  
14 sufficient time to prepare for cross examination if Witness  
15 Elliot presents his supplemental testimony in response to  
16 NOI-4 at the same time as his supplemental testimony on  
17 updating of costs?

18 [No response.]

19 CHAIRMAN GLEIMAN: I'll leave the record open on  
20 this point for the next day, so that we can determine  
21 whether there is going to be a problem. If not, perhaps we  
22 can accommodate Witness Elliot wearing his various and  
23 sundry hats, all at one time also on the 25th, which would,  
24 of course, be our preference.

25 I'll issue a ruling later today, scheduling the

1 testimony, if we hear one way or another from MPA by then.

2 There are two other housekeeping matters to  
3 dispose of:

4 The first is transcript corrections. Our rule has  
5 been to allow participants to file transcript corrections up  
6 to seven days after the conclusion of a session of hearings.

7 I'm going to shorten that time for filing  
8 transcript corrections related to the rebuttal hearings, and  
9 corrections related to these hearings that will be held over  
10 the next two weeks should be filed by Wednesday, September  
11 the 6th.

12 For purposes of preparing initial briefs,  
13 participants may assume that transcript corrections have  
14 been accepted. I intend to close the evidentiary record,  
15 subject only to objections to transcript corrections  
16 concerning this session of rebuttal hearings.

17 In a similar vein, we're continuing to receive a  
18 few scattered responses to discovery and information  
19 requests from the Commission. Therefore, I'm going to  
20 extend the time for designating such responses for  
21 incorporation into the evidentiary record.

22 Requests to incorporate answers to discovery and  
23 information requests filed by August 21st, should be  
24 submitted by the 28th. Responses filed after the 21st must  
25 be designated within seven days of their being filed.

1           It is my firm hope that all of the responses will  
2 be filed before August 30; the final day of designations  
3 will then be September the 6th.

4           Again, participants may assume in preparing their  
5 initial briefs that designations will not be challenged,  
6 however, consistent with due process, participants will have  
7 seven days to respond to requests for designations.

8           Does any participant have a matter that they would  
9 like to raise today?

10           [No response.]

11           CHAIRMAN GLEIMAN: If not, then, Mr. McKeever, you  
12 may introduce your witness.

13           MR. McKEEVER: United Parcel Service calls to the  
14 stand, Stephen Sellick.

15           CHAIRMAN GLEIMAN: Mr. Sellick, as I recall, you  
16 are already under oath in this proceeding, so there's no  
17 need to swear you in.

18           Counsel, if you want to proceed with the  
19 testimony?

20           MR. McKEEVER: Mr. Chairman, I do have one  
21 question. Mr. Sellick did file a response to Presiding  
22 Officer's Information Request at 19, I believe, last Friday.  
23 At the Chair's pleasure, we are prepared, if the Chair would  
24 like, to have Mr. Sellick adopt that today.

25           On the other hand, he did attach a declaration to

1 it, so it could be added at some later time. It's really  
2 just a question of what is more convenient from the  
3 standpoint of the Chair.

4 So we can introduce that now, or just wait until  
5 some other time.

6 CHAIRMAN GLEIMAN: Let's do that now, also.

7 MR. McKEEVER: Thank you. Then, Mr. Chairman, I  
8 propose that I take care of the Presiding Officer's  
9 Information Request first, and then the supplemental  
10 testimony, if that's acceptable?

11 CHAIRMAN GLEIMAN: That's acceptable.

12 Whereupon,

13 STEPHEN E. SELLICK,

14 a witness, having been recalled for examination and, having  
15 been previously duly sworn, was examined and testified  
16 further as follows:

17 DIRECT EXAMINATION

18 BY MR. McKEEVER:

19 Q Mr. Sellick, I have just handed you a copy of a  
20 document entitled "Response of the United Parcel Service  
21 Witness Stephen E. Sellick to Presiding Officer's  
22 Information Request Number 8 -- Number 19," excuse me, dated  
23 August 18th, 2000. Was that prepared by you or under your  
24 supervision?

25 A Yes, it was.

1 Q If those questions were asked of you today, would  
2 your answers be the same?

3 A Yes, they would be the same.

4 MR. McKEEVER: Mr. Chairman, I move that the  
5 response of United Parcel Service Witness Stephen E. Sellick  
6 to Presiding Officer's Information Request Number 19, and  
7 dated August 18th, 2000, be admitted into evidence and  
8 transcribed into the transcript of today's proceedings.

9 CHAIRMAN GLEIMAN: Is there an objection?

10 [No response.]

11 CHAIRMAN GLEIMAN: Hearing none, if you would  
12 please provide two copies of that material to the court  
13 reporter, I will direct that it be received into evidence  
14 and transcribed into the record.

15 [Response of United Parcel Service  
16 Witness Stephen E. Sellick to  
17 Presiding Officer's Information  
18 Request No. 19 was received into  
19 evidence and transcribed into the  
20 record.]

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BEFORE THE  
POSTAL RATE COMMISSION

POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

RESPONSE OF UNITED PARCEL SERVICE WITNESS  
STEPHEN E. SELICK TO PRESIDING OFFICER'S  
INFORMATION REQUEST NO. 19  
(August 18, 2000)

United Parcel Service ("UPS") hereby provides the attached responses of UPS witness Stephen E. Selick to Presiding Officer's Information Request No. 19 (August 2, 2000).

Respectfully submitted,



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Of Counsel.

RESPONSE OF UNITED PARCEL SERVICE WITNESS STEPHEN E. SELICK  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 19

REQUEST: 2. Please submit the logs from the run of the SAS programs witness Sellick uses to calculate Mail Processing variable costs in UPS-T-2, workpapers WP-1-D and E.

RESPONSE: The logs of the run of the SAS programs in workpapers WP-1-D and WP-1-E of UPS-T-2 are contained in the electronic files called "UPS-Sellick-WP-POIR-19-1\Question 2\WP-1-D Log Files.zip" and "UPS-Sellick-WP-POIR-19-1\Question 2\WP-1-E Log Files.zip" and provided with Workpaper UPS-Sellick-WP-POIR-19-1, which is also being filed today.

RESPONSE OF UNITED PARCEL SERVICE WITNESS STEPHEN E. SELICK  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 19

REQUEST: 3. In LR-I-106, Parts II and V, Postal Service witness Van-Ty-Smith presents the results of the calculation of mail processing variabilities and various premium costs using SAS programs, as does witness Sellick in the UPS-T-2 workpapers. Witness Van-Ty-Smith also presents in LR-I-106, Parts III, IV, VI, VII, and VIII, which contain data used to calculate other factors used in the rate making. Please submit the calculations, including supporting programs and logs, for the factors in LR-I-106, Parts III, IV, VI, VII and VIII that are impacted by witness Sellick's treatment of mail processing costs.

RESPONSE: The calculations for the factors in Library Reference USPS-LR-I-106 Parts III, IV, VI, VII, and VIII are presented in Workpaper UPS-Sellick-WP-POIR-19-I as noted below, which is also being filed today. Supporting programs and logs are provided in the electronic files included with this workpaper as noted below.

- ♦ III: Disaggregated Mail Processing Volume Variable Costs -- I re-computed the programs in this section at 100% volume variability and subtracted "migrated" costs by pool from the output mail classes to restate this section to be consistent with UPS's treatment of mail processing costs.

An Excel spreadsheet and SAS output tables showing these calculations are provided in Workpaper UPS-Sellick-WP-POIR-19-I. Associated program and log files are included in the electronic version of this workpaper.

- IV: Administrative and Window Service Costs -- Calculations in this section of Library Reference USPS-LR-I-106 do not appear to make reference to, or to be affected by, volume variabilities, and therefore do not appear to be impacted by my

RESPONSE OF UNITED PARCEL SERVICE WITNESS STEPHEN E. SELICK  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 19

treatment of mail processing costs. Accordingly, no workpapers or electronic files pertaining to this section are attached.

- VI: Operation-Specific Piggyback Matrix -- I modified the Postal Service's SAS code to exclude the migrated tallies from the calculations in Table D of this section. The resulting total costs by pool match total costs by pool (excluding migrated costs) in Section III of the Library Reference USPS-LR-I-106 output. SAS output tables from this section are provided in Workpaper UPS-Sellick-WP-POIR-19-I. The Programs and log files, called "PiggyFY98\_Exempt.sas," "PiggyFY98\_Exempt.lst" and "PiggyFY98\_Exempt.log," are included in the electronic version of this workpaper.

- VII: Overhead Factors for Model Costs -- I re-computed the programs in this section at 100% volume variability and subtracted the total "migrated" pool costs from the "Other" column of each pool to restate this section to be consistent with UPS's treatment of mail processing costs. Restated Tables VII-A, VII-B, and VII-C are provided in Workpaper UPS-Sellick-WP-POIR-19-I and in the electronic version of this Workpaper. An Excel spreadsheet and SAS output tables showing these calculations are provided in Workpaper UPS-Sellick-WP-POIR-19-I. Associated program and log files are included in the electronic version of this workpaper.

- VIII: Disaggregation of Clerk & Mailhandler Wages for Use in Cost Studies -- As noted by the Postal Service in Library Reference USPS-LR-I-138 (MODS-Based Costing SAS Outputs and Spreadsheets PRC Version), Part VIII "remains the same" whether the approach is the PRC version or the Postal Service version and does

RESPONSE OF UNITED PARCEL SERVICE WITNESS STEPHEN E. SELICK  
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 19

not appear to be impacted by UPS's treatment of mail processing costs. Accordingly,  
no workpapers or electronic files pertaining to this section are attached.

1 MR. MCKEEVER: Mr. Chairman, I will remove the  
2 declaration since Mr. Sellick has adopted it today, but then  
3 provide two copies of the rest of the document to the  
4 reporter.

5 CHAIRMAN GLEIMAN: Thank you.

6 BY MR. MCKEEVER:

7 Q Mr. Sellick, I have just handed you a copy of a  
8 document entitled "Supplemental Testimony of Stephen E.  
9 Sellick on Behalf of United Parcel," and marked UPS-ST-1.  
10 Was that prepared by you and under your supervision and  
11 direction?

12 A Yes, it was.

13 Q Do you have any changes to make in that document  
14 from the version that was previously served on all the  
15 parties to this case?

16 A Just one. On page 5 of the Supplemental Testimony  
17 ST-1, the sentence that begins on line 8, the easiest way to  
18 change it is probably just to strike that sentence and for  
19 me to adopt the following sentence. That sentence should  
20 read, "Only 63 of 545 VIP level records which fail the  
21 Postal Service's very broad revenue tolerance test when  
22 applied to the disaggregated data (excluding its 5 percent  
23 cushion) could be detected at the aggregated data level."

24 MR. MCKEEVER: Mr. Chairman, for the benefit of  
25 the parties, I believe the changes are to take the number 73

1 in the original version and make it 63, to take the number  
2 545 that was in the original version and make it -- 555 is  
3 in the original version and make it 555 -- 545, and then add  
4 the parenthetical expression, excluding its 5 percent  
5 cushion.

6 We did serve these changes or fax these changes to  
7 Mr. Hollies of the Postal Service yesterday. I did not do  
8 so to Mr. May and I apologize to him, but I do have a copy  
9 of it here for him. We just really discovered these changes  
10 yesterday afternoon.

11 With those changes, Mr. Chairman, I move that the  
12 document entitled "Supplemental Testimony of Stephen E.  
13 Sellick on Behalf of United Parcel Service," and marked  
14 UPS-ST-1, be admitted into evidence and transcribed into the  
15 record of today's proceedings.

16 CHAIRMAN GLEIMAN: Is there an objection?

17 [No response.]

18 CHAIRMAN GLEIMAN: Hearing none, if you will  
19 provide two copies of the corrected testimony of the witness  
20 to the court reporter, I will direct that the material be  
21 included in the record and transcribed and entered into  
22 evidence.

23 [Supplemental Direct Testimony of  
24 Stephen E. Sellick, UPS-ST-1, was  
25 received into evidence and

transcribed into the record.]

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UPS-ST-1

BEFORE THE  
POSTAL RATE COMMISSION

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POSTAL RATE AND FEE CHANGES, 2000

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DOCKET NO. R2000-1

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SUPPLEMENTAL TESTIMONY  
OF  
STEPHEN E. SELICK  
ON BEHALF OF  
UNITED PARCEL SERVICE

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1

**INTRODUCTION**

2 My name is Stephen E. Sellick. I have already presented testimony in this  
3 proceeding regarding the distribution of mail processing labor costs (UPS-T-2) as well  
4 as testimony on the Postal Service's proposed Parcel Post revenue, pieces, and weight  
5 estimates (UPS-T-4). My background is set forth in that testimony. See Tr. 27/13122-  
6 23.

7

**PURPOSE OF TESTIMONY AND  
8 SUMMARY OF CONCLUSIONS**

9 I have been asked to recalculate Cost Segment 3 costs under 100% mail  
10 processing labor cost variability using the improved cost distribution methods proposed  
11 by Postal Service witnesses Degen and Van-Ty-Smith, using actual FY1999 data as the  
12 base. See Order No. 1294 (May 26, 2000); Tr. 27/13139-40. The results of that  
13 recalculation, which makes use of FY1999 data provided by the Postal Service, are  
14 presented in my Table ST-1, below.

Table ST-1

## FY1999 Volume Variable Cost Segment 3 Costs by Subclass

<b>Class and Subclass of Mail or Special Service</b>	<b>Postal Service Proposal</b>	<b>100% Attribution</b>
<b>First Class Mail</b>		
Single-Piece Letters	5,910,827	6,685,161
Presort Letters	1,499,010	1,654,975
Single-Piece Letters	223,030	256,630
Presort Cards	44,447	50,932
<b>Total First Class</b>	<b>7,677,314</b>	<b>8,647,698</b>
<b>Priority Mail</b>	<b>773,790</b>	<b>938,013</b>
<b>Express Mail</b>	<b>159,738</b>	<b>235,135</b>
<b>Mailgrams</b>	<b>252</b>	<b>279</b>
<b>Periodicals</b>		
In-County	19,283	20,848
Outside County:		
Regular	627,056	686,738
Nonprofit	112,889	126,482
Classroom	5,353	5,968
<b>Total Periodicals</b>	<b>764,581</b>	<b>840,036</b>
<b>Standard Mail (A)</b>		
Single-Piece Rate	46,523	51,267
Commercial Standard		
Enhanced Carrier Route	410,052	460,754
Regular	2,273,342	2,497,461
Total Commercial Standard	2,683,394	2,958,215
Aggregate Nonprofit		
Nonprofit Enhanced Carrier Route	54,314	59,422
Nonprofit	489,765	540,881
Total Aggregate Nonprofit	544,079	600,302
<b>Total Standard Mail (A)</b>	<b>3,273,996</b>	<b>3,609,785</b>
<b>Standard Mail (B)</b>		
Parcels Zone Rate	291,633	311,756
Bound Printed Matter	141,677	150,990
Special Standard	124,404	132,238
Library Mail	17,519	18,123
<b>Total Standard Mail (B)</b>	<b>575,233</b>	<b>613,107</b>
<b>US Postal Service</b>	<b>164,184</b>	<b>208,342</b>
<b>Free Mail</b>	<b>9,392</b>	<b>11,009</b>
<b>International Mail</b>	<b>308,690</b>	<b>362,091</b>
<b>Total Mail</b>	<b>13,707,170</b>	<b>15,465,495</b>
<b>Total Special Services</b>	<b>399,061</b>	<b>392,983</b>
<b>Total Volume Variable</b>	<b>14,106,231</b>	<b>15,858,478</b>
<b>Other</b>	<b>4,192,176</b>	<b>2,440,303</b>
<b>Total Accrued</b>	<b>18,298,407</b>	<b>18,298,781</b>

3 Sources: Postal Service Proposal – USPS-LR-I-276, pp. 1-2; 100% Attribution – UPS-  
4 Sellick-WP-Supp-1-A, Calculation of Fiscal Year 1999 Costs for Cost  
5 Segment 3. Totals may not add due to rounding.

1 I have also been asked to review certain additional information provided by the  
2 Postal Service on the subject of the Postal Service's method of estimating revenue,  
3 pieces, and weight for Parcel Post, first introduced in this proceeding. This additional  
4 information was made available after the filing of my direct testimony, UPS-T-4, on  
5 May 22, 2000. In the course of my analysis, I have reviewed Library Reference USPS-  
6 LR-I-401, Library Reference USPS-LR-I-403, the Response of United States Postal  
7 Service Witnesses Pafford and Hunter to Presiding Officer's Information Request No. 17  
8 (August 3, 2000), and other relevant documents. Based on my review, I have come to  
9 the following conclusions:

- 10 1. The PERMIT System incorrectly recorded certain Standard (A) mail pieces  
11 as Standard Mail (B) (including Parcel Post) in FY1998. This error has  
12 been perpetuated in FY1999, and in fact may have been compounded in  
13 FY1999 over FY1998 by also infecting the FY1999 DRPW system.
- 14 2. Information from the Postal Service's Carrier Cost System corroborates  
15 the original FY1998 DRPW-only estimates of Parcel Post volume and  
16 contradicts the estimates derived from the proposed "hybrid"  
17 BRPW/DRPW approach.
- 18 3. The PERMIT System is incapable of determining correct Parcel Post  
19 weight information by rate category and zone.

20 In short, the disaggregated data in USPS-LR-I-401 does not change my prior  
21 conclusion that the Postal Service's adjusted Parcel Post estimates are untested and

1 potentially unreliable. In fact, the evidence indicates that the Postal Service's estimates  
2 are overstated.

3 **REVIEW OF THE DISAGGREGATED BRPW DATA THAT HAS**  
4 **BEEN MADE AVAILABLE SUPPORTS MY PRIOR CRITICISMS.**

5  
6 In my direct testimony (UPS-T-4), I pointed out that the high level of aggregation  
7 in the BRPW data available at that time made a thorough investigation of the validity  
8 and reasonableness of the Postal Service's BRPW Parcel Post estimates impossible.  
9 Despite the aggregation, however, it was still possible to determine that nonsensical  
10 results were present in the data. See Exhibit UPS-T-4C, filed under seal (Tr. 31/15054).

11 After my direct testimony was filed, the Postal Service produced (pursuant to  
12 Presiding Officer's Ruling No. R2000-1/72) Library Reference USPS-LR-I-401, which is  
13 described as "Permit Imprint Parcel Post Data Extract and Documentation." As its title  
14 indicates, the data in that library reference is an "extract" of the permit imprint Parcel  
15 Post data. A complete set of the raw data remains unavailable.

16 The Postal Service has acknowledged that this information does not permit "a  
17 perfect replication [of its results], just a decent one." Despite a number of exchanges  
18 with the Postal Service, we have not been able to completely reconcile the  
19 disaggregated information provided in Library Reference USPS-LR-I-401 with the highly  
20 aggregated BRPW information provided in Library Reference USPS-LR-I-194.  
21 Significantly, the disaggregated LR-I-401 weight data differs from the aggregated LR-I-  
22 194 BRPW data by 55 million pounds. The Postal Service has been unable to explain  
23 this discrepancy.

1           Nevertheless, a review of the disaggregated information has revealed the  
2 following:

- 3           ♦       Each nonsensical record in the aggregated data was rendered  
4                   nonsensical by individual nonsensical records; none of the identified  
5                   aggregated nonsensical records identified in my prior testimony was  
6                   caused by "correcting" or "adjusting" entries in BRPW.
  
- 7           ♦       More nonsensical records have been identified in the disaggregated data  
8                   than were revealed by an analysis of the aggregated data. Only 63 of 545  
9                   VIP-level records which fail the Postal Service's very broad "revenue  
10                  tolerance" test when applied to the disaggregated data (excluding its 5%  
11                  cushion) could be detected at the aggregated data level.<sup>1</sup> In other words,  
12                  482 nonsensical records were not detected by the revenue tolerance test  
13                  in the BRPW system due to the high level of data aggregation.
  
- 14          ♦       Even the disaggregated data cannot be reasonably validated because the  
15                  PERMIT System and the BRPW system inaccurately calculate weight by  
16                  rate category and zone for up to 81% of Parcel Post pieces, as described  
17                  below.

---

1.       The revenue tolerance test only checks to see if the postage data in a record is below or above the lowest possible or highest possible postage for an entire zone, without regard to the actual weight of the packages involved. Library Reference USPS-LR-I-25, Appendix A. The disaggregated data also contains other nonsensical records.

1           In short, due to the incompleteness of the data, the fact that the disaggregated  
2 data does not fully match the BRPW data originally produced, and the appearance of  
3 additional nonsensical results, the conclusions in my original testimony not only remain  
4 valid, but are reinforced by the disaggregated data.

5                           **THE PERMIT SYSTEM INCORRECTLY COUNTS SOME PORTION**  
6                           **OF STANDARD (A) PARCELS AS STANDARD (B) PARCEL POST.**

7           The minimum weight for Parcel Post parcels is one pound; pieces that weigh less  
8 than one pound may not be sent as Parcel Post. Domestic Mail Classification  
9 Schedule, § 322.11, reproduced in Appendix A to Subpart C of the Commission's Rules  
10 of Practice, 39 C.F.R. § 3001.68; Domestic Mail Manual, Issue 53, ¶ E613.1.0, at page  
11 E-87.<sup>2</sup> Although Standard (A) parcels for which Parcel Post rates are lower may pay  
12 the lower Parcel Post rates, they maintain the characteristics of Standard (A) mail.<sup>3</sup> And  
13 in fact, in FY1998 the Postal Service recorded these pieces as Standard (A) mail in  
14 DRPW. Postal Service Handbook F-75, Library Reference USPS-LR-I-37, pages 3-83,  
15 3-95, 3-149, and 3-156.

- 
2.    The Domestic Mail Manual provision states: "Standard Mail (B) consists of mailable matter that (except Special Standard Mail and Library Mail) weighs 16 ounces or more."
  3.    Domestic Mail Manual ¶ E620.1.1 (Issue 53) states at page E-89, in relevant part: "If the computed Single-Piece Standard Mail rate is higher than any Standard Mail (B) rate for which the mail could qualify *except for weight*, the lower Standard Mail (B) rate may be paid; all other standards for Single-Piece Standard Mail apply." See also Domestic Mail Manual, Issue 53, ¶ E612.4.6, at page E-85.

1           On July 20, 2000, the Postal Service informed UPS that the Permit System (and  
2 hence the BRPW data on which the Postal Service relies) counted such pieces as  
3 Standard (B) mail in FY1998, and continues to do so. Prior to 1998 (and in the Postal  
4 Service's original FY1998 DRPW-only Parcel Post estimates), these pieces were  
5 correctly counted in the RPW estimates as Standard (A) mail.

6           It is clear, then, that the Postal Service's BRPW Parcel Post estimates for  
7 FY1998 incorrectly count some unknown portion of Standard (A) parcels as Parcel Post,  
8 contributing to the alleged 50 million parcel increase in Parcel Post volume from the  
9 DRPW-only estimate to the hybrid BRPW/DRPW estimate for Parcel Post.

10          The Postal Service has also indicated that the instructions to the DRPW data  
11 collectors have changed since 1998. Response of the United States Postal Service to  
12 interrogatory UPS/USPS-48 (August 9, 2000). Beginning on January 10, 1999, such  
13 Standard (A) parcels began to be recorded as Standard (B) pieces in the DRPW system  
14 as well as in the BRPW system. Thus, any FY1999 DRPW-only estimates of Parcel  
15 Post revenue, pieces, and weight would also be overstated to some unknown extent.

1                   **VOLUME INFORMATION FROM THE POSTAL SERVICE'S**  
2                   **CARRIER COST SYSTEM IS CONSISTENT WITH THE**  
3                   **RESULTS OF THE HISTORICAL DRPW-ONLY ESTIMATES.**

4  
5                   As discussed in my prior testimony, the BRPW/DRPW hybrid approach to  
6 estimating Parcel Post revenue, pieces, and weight generates results which differ  
7 significantly from the DRPW-only results. The hybrid approach volume estimate for  
8 Parcel Post in FY1998 is 316 million pieces, as opposed to the 266 million pieces  
9 estimated by DRPW alone -- an increase of approximately 19%.

10                  Volume information in the Postal Service's City Carrier Cost System ("CCS")  
11 corroborates the DRPW-only results. The CCS data indicates that there were 252  
12 million Parcel Post parcels delivered by City and Rural Carriers on regular letter routes  
13 in FY 1998. See Response of United States Postal Service Witness Harahush to  
14 Questions Asked During Hearings (May 10, 2000). The addition of approximately 9  
15 million Parcel Post pieces delivered on Special Purpose Routes in FY1998 results in  
16 Parcel Post volume of 261 million pieces in FY1998.<sup>4</sup> That result is much more  
17 consistent with the DRPW-only estimate of 266 million pieces than is the hybrid  
18 BRPW/DRPW estimate of 316 million pieces.

---

4.       Data contained in a Postal Service interrogatory to UPS witness Luciani indicates that 7.3 million Parcel Post pieces were delivered on Special Purpose Routes in 1996. See Postal Service Interrogatory USPS/UPS-T5-5, Tr. 25/11868. Adjusting this 1996 estimate for the overall increase in Parcel Post volume from 1996 to 1998 suggests that approximately 9 million parcels were delivered on Special Purpose Routes in 1998.

1                   **THE POSTAL SERVICE'S FY1999 ESTIMATES ARE**  
2                   **ONLY PARTIALLY BASED ON A UNIQUE TRIAL**  
3                   **BALANCE ACCOUNT FOR PARCEL POST.**

4           During FY1999, the Postal Service implemented a unique trial balance revenue  
5   account for permit imprint Parcel Post; the account was used to adjust the BRPW data  
6   in PQ3 and PQ4 of FY1999 only. Response of the United States Postal Service to  
7   Interrogatory UPS/USPS-41 (May 17, 2000). For the other two quarters of FY1999, the  
8   Postal Service has relied on the "interim" factor of 1.0092075 obtained from a special  
9   study done in postal quarter 2 of FY1997. See id.; Library Reference USPS-LR-I-230  
10   and USPS-LR-I-403.

11           This approach is flawed in a number of respects. First, the Postal Service is  
12   applying what was originally developed to be an annualized factor to quarterly data.<sup>5</sup> It  
13   is impossible to know what the "correct" trial balance adjustment factors would be for  
14   the first two quarters of FY 1999, but it is virtually certain that the 1.0092075 "blowup"  
15   factor developed in FY1997 is not correct for either quarter.

16           More fundamentally, as I indicated on oral cross-examination (Tr. 31/15160-61),  
17   the FY1997 survey for postal quarter 2 serves an entirely different purpose from the  
18   unique trial balance revenue account adjustment factors. The PQ2 FY1997 survey is  
19   meant to increase the Parcel Post BRPW estimates to account for permit imprint Parcel  
20   Post entered at non-PERMIT System offices that would not be captured in the BRPW  
21   data. In other words, it is a substitute for the samples of non-automated offices used in

---

5.   While the factor was originally applied to quarterly data, it is in effect an annualized factor since the same factor was used for each quarter.

1 developing BRPW estimates for mail categories other than Parcel Post. On the other  
2 hand, trial balance adjustment factors may result in increasing or decreasing BRPW  
3 estimates. They are intended to act as a check on the accuracy of those estimates  
4 (including the estimates derived from supplemental surveys or samples).

5 The Postal Service's use of the non-automated survey factor to adjust FY1999  
6 data may be inappropriate for still another reason. To the extent that offices which were  
7 non-automated during the study period (PQ 2 of FY1997) became automated in FY1998  
8 or FY1999, application of the 1.0092075 factor overstates permit imprint Parcel Post  
9 volume and revenue estimates.

10 **THE PERMIT SYSTEM IS INCAPABLE OF DETERMINING THE**  
11 **TRUE WEIGHT OF PARCEL POST BY RATE CATEGORY.**  
12

13 The Postal Service's RPW results assume that BRPW provides accurate weight  
14 estimates by rate category and zone. That is not correct. While the Postal Service  
15 uses information from BRPW to *compute* weight information for each Parcel Post rate  
16 category and zone, that is not the same as recording the *actual* weight for a given rate  
17 category and zone. In fact, the method used to compute weight by VIP code (i.e., rate  
18 category and zone) for non-identical weight mailings -- which account for 98% of all  
19 permit imprint Parcel Post pieces -- is demonstrably wrong.

20 PERMIT System data, and thus BRPW information, is derived from the postage  
21 statements presented with bulk mailings. Individual postage statements generally cover  
22 pieces in different Parcel Post rate categories (e.g., inter-BMC, intra-BMC, and DBMC)

1 sent to different zones.<sup>6</sup> The only weight information available from a postage  
2 statement is the total weight of the entire mailing and, only in the case of identical  
3 weight mailings, the weight of a single piece.

4 In other words, while a postage statement contains piece and postage (revenue)  
5 information at the rate category and zone level (i.e., at the ZIP code level), it does not  
6 collect weight information at the rate category and zone level. See Exhibit UPS-T-4A  
7 (attached to my direct testimony), Tr. 31/15050-51.

8 The computation method used by the Postal Service for non-identical weight  
9 mailings computes the weight for a rate category and zone by multiplying the pieces for  
10 the rate category and zone combination by the average weight *for the entire mailing*;  
11 the average weight is determined by dividing the total weight for the mailing recorded in  
12 the Total Weight box on the front of the postage statement by the total number of pieces  
13 recorded in the Total Pieces box on the postage statement. Tr. 21/8490. Thus, even  
14 though the pieces in a non-identical mailing are not all of the same weight, the Postal  
15 Service assumes that they are.

16 A hypothetical example of a non-identical weight mailing is provided in Table ST-  
17 2. In this example, the total mailing consists of 577 pieces covering two rate categories  
18 and sent to various zones: 491 inter-BMC pieces and 86 intra-BMC pieces, sent to the

---

6. The data in USPS-LR-I-401 show that 71% of Parcel Post postage statements included pieces going to a number of different zones, while 28% included mailings of pieces sent in different rate categories.

1 zones indicated in the table. The "actual" weights used in the table correspond to the  
 2 average weights for each respective rate category and zone for Parcel Post as  
 3 determined by the 1996 Parcel Post billing determinants (USPS-LR-H-145 in Docket  
 4 No. R97-1).<sup>7</sup>

5 **Table ST-2**

6 **Example of PERMIT System Incorrect Calculation of**  
 7 **Rate Category and Zone Weight**

Rate Category	Zone	Mailing Average Weight	Pieces	Actual Total Weight	PERMIT Weight	PERMIT Error (Pct)
Inter-BMC	Zone 7	6.16	1	6	5	-19.2%
Inter-BMC	Zone 1&2	4.56	141	642	701	9.2%
Inter-BMC	Zone 3	4.75	349	1,659	1,736	4.6%
Intra-BMC	Zone 4	6.57	85	558	423	-24.3%
Intra-BMC	Zone 1&2	4.43	1	4	5	12.3%
<b>Total</b>		<b>4.98</b>	<b>577</b>	<b>2,871</b>	<b>2,871</b>	
Inter-BMC Subtotal			491	2,308	2,443	5.8%
Intra-BMC Subtotal			86	563	428	-24.0%
<b>Total</b>			<b>577</b>	<b>2,871</b>	<b>2,871</b>	

8 PERMIT Weight = Rate Category Zone pieces / Total Pieces \* Total Weight.

9 Since the example is for a non-identical weight mailing (as is the case for 98% of  
 10 BRPW Parcel Post pieces), the only weight information on the postage statement -- and  
 11 thus the only weight information that would be in the PERMIT System and in BRPW -- is  
 12 the total weight of the entire mailing, or 2,871 pounds. The Permit System assumes

7. Billing determinant data for 1996 are used to avoid any possible data corruption that may arise from the use of BRPW data in determining billing determinants.

1 each piece weighs the same amount -- in this case, 4.98 pounds -- even though the  
2 actual average weight of the pieces is demonstrably different. Thus, the PERMIT  
3 System would determine that a total of 423 pounds were sent as an intra-BMC shipment  
4 to zone 4 when actually 558 pounds of intra-BMC parcels were sent. Likewise, the  
5 PERMIT System would indicate that 701 pounds were sent as an inter-BMC shipment  
6 to zone 1/2, even though the actual shipment was of 642 pounds.

7 The Postal Service's method has the effect of overstating total weight in some  
8 zone and rate categories and understating it in others. In the above example, the  
9 PERMIT system misstates weight by amounts ranging from +12% (intra-BMC zone 1/2)  
10 to -24% (intra-BMC zone 4); overall, inter-BMC weight is overstated by 5.8%, while  
11 intra-BMC weight is understated by 24%.

12 The disaggregated Parcel Post BRPW information in Library Reference USPS-  
13 LR-I-401 shows that postage statements representing 98% of Parcel Post BRPW  
14 pieces do not include the Single Piece Weight variable described above. This indicates  
15 that 98% of Parcel Post pieces are sent as part of non-identical weight mailings.<sup>8</sup> Of  
16 these, 82% are multi-zone mailings; therefore, up to 81% of Parcel Post pieces in  
17 BRPW are incorrectly assigned an average weight rather than their actual weight. As a  
18 result, the total weights assigned to rate categories and zones are incorrect. To the  
19 extent that these postage statements included multiple classes of mail in FY1998 (e.g.,  
20 both Parcel Post and either Priority Mail or Bound Printed Matter, as permitted on PS

---

8. It is not possible to make this determination using only the aggregated data originally provided.

1 Form 3605-R, Exhibit UPS-T-4A, Tr. 31/15050-51), this inaccuracy contaminates the  
2 data for other mail classes as well.

3 This problem is different from and in addition to the concern I expressed in my  
4 direct testimony regarding the need under the Postal Service's approach to assume, for  
5 billing determinant purposes, that the distribution by rate cell of BRPW permit imprint  
6 parcels is the same as that for DRPW parcels. That point remains valid as well. As the  
7 Postal Service has acknowledged, because "[e]stimates from BRPW do not provide  
8 distributions by weight cell . . . reference is made to the DRPW distributions by weight  
9 within zone" in developing its billing determinants. Tr. 21/9337.

10 **SUMMARY AND CONCLUSIONS**

11 I have recalculated mail processing labor costs as provided in my original  
12 testimony (UPS-T-2) using actual FY1999 data instead of FY1998 data. Should the  
13 Commission determine to project test year costs on the basis of the actual FY1999  
14 data, those results should be used.

15 I have also reviewed additional BRPW and other data on the Postal Service's  
16 RPW estimates for Parcel Post that became available after my original RPW testimony  
17 (UPS-T-4) was filed. Review of that information has only strengthened my conclusion  
18 that the Postal Service's decision to alter the methodological basis upon which  
19 estimates of revenue, volume, and weight are developed for Parcel Post is premature  
20 and unwise.

1 CHAIRMAN GLEIMAN: This brings us to oral  
2 cross-examination. Two parties have requested oral  
3 cross-examination, Parcel Shippers Association and the  
4 United States Postal Service. Is there any other party that  
5 wishes to cross-examine this witness?

6 [No response.]

7 CHAIRMAN GLEIMAN: If not, Mr. May, you may begin  
8 when you are ready.

9 MR. MAY: Thank you, Mr. Chairman.

10 CROSS-EXAMINATION

11 BY MR. MAY:

12 Q Good morning, Mr. Sellick.

13 A Good morning.

14 Q I would like to start by asking you some questions  
15 about the rebuttal testimony you have. On pages 9 and 10,  
16 concerning your analysis of the Postal Service's trial  
17 balance adjustment factor that it used for the first two  
18 quarters of FY 1999, just to be sure the record is clear,  
19 could you explain the purpose of a trial balance adjustment  
20 factor?

21 A The unique trial balance adjustment factor is in  
22 place for certain of the classes of mail that are -- for  
23 which the volume, revenue and weight estimates are derived  
24 from the BRPW System, in order to reconcile the revenue  
25 balances in those unique trial balance revenue accounts with

1 the revenue estimates that are derived from the BRPW system,  
2 which, in turn, relies on the PERMIT System.

3 Q So that the Postal Service shows, well, we  
4 received so much money and if that doesn't jibe with what  
5 the other calculation is, then there has to be adjustment,  
6 not to over-simplify it, but isn't that kind of what is  
7 going on?

8 A There is an adjustment, and that is -- it is  
9 essentially a reconciliation between the revenue account and  
10 the estimates from the PERMIT and BRPW Systems.

11 Q Now, in your testimony on pages 9 and 10, am I  
12 correct that, if I summarize your basic criticisms of the  
13 Postal Service's approach that they use for the first two  
14 quarters of '99, by saying that you believe it was flawed  
15 because it applied a factor that was originally developed to  
16 be an annualized factor to quarterly data and that,  
17 moreover, the FY 1997 survey for Postal Quarter 2, upon  
18 which this factor is based, served an entirely different  
19 purpose from the unique trial balance revenue account  
20 adjustment factor, is that correct?

21 A I'm sorry. Yeah, that I think is not a  
22 misrepresentation of my testimony. I would point out,  
23 though, that what is now taken to be called the interim  
24 factor of 1.009 is really more of an adjustment to take the  
25 place of the sample frame that is present in other classes

1 in the permit imprint and Parcel Post. That adjustment  
2 factor, as I have pointed out in my testimony, serves only  
3 to increase the estimates from the PERMIT System, not to  
4 adjust them to sort of an exogenous total number which is  
5 derived, and that is the purpose of the unique trial balance  
6 account.

7 Q Yes. In other words, that wasn't the purpose of  
8 that factor when it was derived in 1997, it was done for a  
9 different purpose.

10 A I don't think I have asserted what it was designed  
11 for, I think I said that that is what I believe the effect  
12 of it is. You know, I can't know what the intent was.

13 Q Now, if I could direct your attention to the  
14 Postal Service's response to POIR Number 17, Question 4, I  
15 furnished this to your counsel yesterday, and I assume he  
16 has provided it to you, and I would like to distribute  
17 copies to the Commission.

18 THE WITNESS: I do, thank you.

19 BY MR. MAY:

20 Q Now, in question 4, the Presiding Officer asked  
21 the Postal Service to provide all revenue adjustment factors  
22 that were used to adjust the BRPW estimates for <sup>parcel</sup> ~~partial~~ post  
23 in FY 1999, and would you agree that the response does  
24 provide that for each of the four postal quarters of FY '99?

25 A Yes. The response shows that the original factor

1 of 1.09 was applied to the first two quarters, and the  
2 actual unique trial balance account factor was applied for  
3 the third and fourth quarters.

4 Q Now, for the postal quarter 3, the factor, trial  
5 balance factor reported there is 1.06310; is that correct?

6 A Yes, that's what's here.

7 Q Now, would you confirm what that really means is  
8 that the permit imprint parcel post revenue for FY 1999  
9 postal quarter 3 was actually 6.3 percent higher than the  
10 unadjusted BRPW estimate?

11 A Yes. Well, the unique trial balance account total  
12 was 6.3 percent higher than the revenue estimate derived  
13 from the permit system for that quarter, for quarter 3,  
14 right.

15 Q And would you confirm that the postal quarter 4  
16 unique trial balance adjustment factor is 1.03489, and that  
17 that also means that the actual revenue for that quarter was  
18 3.5 percent higher than the unadjusted BRPW estimate?

19 A The revenue in the unique trial balance account  
20 was 3.5 percent higher than the unadjusted permit system  
21 revenue for parcel post, yes.

22 Q Would it, then, not be the case that if the Postal  
23 Service had used this, quote, interim factor<sup>of</sup> 1.0092075, the  
24 one you criticized, which was used for quarter 1 and 2, if  
25 that had also been used for quarter 3 and quarter 4, would

1 it not have been the case that that would have actually  
2 understated the actual amount of revenue for those two  
3 quarters?

4 A It's possible that it may have for those two  
5 quarters, but the point in my --

6 Q That's my question.

7 A The point in my testimony is to address that the  
8 1.009 factor was designed as an annual factor even if it was  
9 based on quarterly data, and there is no way to know what  
10 the factors for quarter 1 and quarter 2 would be if those  
11 had been in effect at the time. The overall total still  
12 could be something to the effect of 1.009 if the quarter 1  
13 and quarter 2 factors were, in fact, lower than 1.009. That  
14 was the point of that section of my testimony.

15 Q Yes, that is what your testimony says; that is not  
16 what I asked. What I asked you to confirm was that for  
17 those two quarters, 3 and 4, if the interim factor which you  
18 imply overstates parcel revenues, if that factor had been  
19 used for quarter 3 and 4, would it have not been the case  
20 that it would have understated revenues for those two  
21 quarters, not for the year, but for those two quarters?

22 A But I don't think I intend to imply that the 1.009  
23 factor overstates anything. I address its methodology and  
24 application. But 1.009 is less than 1.06 and 1.03.

25 Q So you don't intend to suggest by your criticism

1 that the Postal Service has -- by using this factor has  
2 overstated parcel volume in the first and second quarter  
3 revenues?

4 A My point is it's an -- my point is to address the  
5 methodology about how the factor is applied and how it was  
6 derived.

7 Q I thought you were saying that the Postal Service  
8 had overstated the revenue for parcel post in '99 and that  
9 this was one of the reasons you believe they had overstated  
10 it. Am I incorrect in that?

11 A I believe for a variety of reasons addressed in my  
12 testimony that revenue pieces and weight derived from the  
13 hybrid system are overstated relative to that of the  
14 BRPW-only system.

15 For an additional point in my testimony, I do  
16 question as to -- wonder about whether the 1.009 factor,  
17 since it was based on a non-automated panel of offices from  
18 1997, whether that in fact might overstate the --

19 Q I'm going to ask you about that later.

20 THE REPORTER: Might overstate what?

21 THE WITNESS: Might overstate the resulting  
22 factor.

23 BY MR. MAY:

24 Q I will ask you about that, but I'm trying to get  
25 you to focus now on your criticism of the use of the interim

1 factor for the first two quarters.

2 You do not say that is one of the reasons they  
3 have overstated it?

4 A Sorry, they have overstated what?

5 Q It isn't that they have -- you have -- you just  
6 got through saying it is your contention that the Postal  
7 Service has overstated parcel revenue for '99, and you have  
8 said for a variety of reasons, you believe that. I'm just  
9 trying to ascertain whether one of those reasons is that  
10 they use what you call a faulty interim adjustment. Is that  
11 one of the reasons?

12 A I believe the 1.009 factor should not be combined  
13 for two quarters with the unique trial balance adjustment  
14 for another two quarters.

15 Q Well, let me get it this way. Isn't it just as  
16 possible that the application of the interim adjustment  
17 caused an understatement of parcels as it may have caused an  
18 overstatement in those two quarters?

19 A I don't know if I have any information to evaluate  
20 whether it's just as possible or not.

21 Q Do you have any information that would lead you to  
22 conclude that it's not just as likely?

23 A For the reason I mentioned before that the 1997  
24 non-automated panel -- the number of offices in 1997 that  
25 were non-automated may be fewer -- I'm sorry -- may be more

1 than the number of offices that are currently non-automated.  
2 That would tend to suggest that the 1.009 factor is, in  
3 fact, too high for the year for the total.

4 Q Even though, if you had used that factor for the  
5 third and fourth quarters, you have yourself admitted that  
6 it would have understated parcel volumes and revenues for  
7 those two quarters.

8 A For those two quarters viewed in isolation, that  
9 is correct.

10 Q A further criticism you make of the '97 interim  
11 factor, the use of that for '99, quarters 1 and 2, is that  
12 you say the survey, that 1997 survey which was intended to  
13 capture permit imprint parcel post entered at non-permit  
14 system offices, correct? And directing you to page 10 of  
15 your testimony, lines 5 to 9, you state, quote, "The Postal  
16 Service's use of the non-automated survey factor to adjust  
17 FY '99 data may be inappropriate for still another reason."  
18 And I think this is what you were referring to, isn't it? "  
19 To the extent that offices which were non-automated during  
20 the study period, postal quarter 2 of FY '97, became  
21 automated in FY 1998 or FY 1999, application of the 1.009207  
22 factor overstates permit imprint parcel post volume and  
23 revenue estimates."

24 Do you have any reason to believe that any offices  
25 that were automated in FY 1998 were no longer automated in

1 FY 1999?

2 A I have no information to that effect.

3 Q Do you have any reason to believe that any offices  
4 that were automated in Fiscal Year 1999, postal quarter 1  
5 and 2, were no longer automated in '99, postal quarter 3 and  
6 4?

7 A I have no information to that effect, no.

8 Q So would you not agree, then, that there were at  
9 least as many automated offices in FY 1999, postal quarter 3  
10 and 4, as there were in FY 1998 or FY 1999, postal quarter 1  
11 and 2?

12 A I would in general expect the trend to have more  
13 rather than fewer automated offices.

14 Q Well, then, the potential issue that you raise  
15 here -- that is, the use of the non-automated survey factor  
16 causing an overstatement of the volume and revenue -- would  
17 have either a similar impact or a larger impact on FY 1999  
18 postal quarter 3 and 4 estimates as it had on FY 1998 and FY  
19 1999 postal quarter 1 and 2 estimates, would it not?

20 A I don't know if it -- it may have the same effect,  
21 and given the direction we talked about, although I don't  
22 know how -- what the timing would have been of automated  
23 offices coming on line, but I would -- that's possible, yes.

24 Q Now, we've already agreed -- you have -- that  
25 using the interim adjustment factor for '99 quarters 3 and 4

1 would have understated parcel post revenues. You have  
2 already agreed to that, have you not?

3 A For --

4 Q So those two quarters.

5 A Uniquely for those two quarters, yes.

6 As to your previous question, though, it just  
7 occurred to me that it should be pointed out that the  
8 interim factor, as I have suggested before, is simply to  
9 take into account the non -- I believe is simply to take  
10 into account the non-automated portion of parcel post permit  
11 imprint volume. The unique trial balance adjustment  
12 accomplishes that as well as the reconciliation or  
13 accomplishes the reconciliation to the exogenous revenue  
14 account.

15 So it would be difficult in just looking at the  
16 application of the 1.06 and 1.034 factors for quarter 3 and  
17 quarter 4 to isolate how much of that total factor is due to  
18 the exogenous reconciliation and how much is due to the  
19 increase due to the non-automated offices.

20 Q In your testimony on page 9, lines 12 through 15,  
21 you there describe what you characterize as I think the  
22 first flaw that you highlight with use of the interim factor  
23 in '99, and you state, quote, "it is impossible to know what  
24 the correct, quote, trial balance adjustment factors would  
25 be for the first two quarters of FY 1999, but it is

1 virtually certain that the 1.0092075 blow-up factor  
2 developed in FY 1997 is not correct for either quarter.

3           Would you confirm that you do not know  
4 definitively whether the "correct" trial balance adjustment  
5 factor for postal quarter 1 and 2 is higher or lower than  
6 the interim factor that was used?

7           A     Well, if you believe that the 1.009 factor was in  
8 the first place a good adjustment, then it would suggest  
9 that quarter 1 and quarter -- and a good annual adjustment  
10 -- it would suggest that quarters 1 and 2 would in fact be  
11 less than that.

12          Q     No, I asked you do you know definitively whether  
13 the correct trial balance adjustment, what you call a  
14 correct one, would have been higher or lower for those two  
15 quarters?

16          A     I have no information definitively about what the  
17 factor would be for the first two quarters.

18          Q     Yes, but you have already confirmed that on the  
19 other hand, we do know definitively that using the interim  
20 adjustment factor for the third and fourth quarter would  
21 have understated parcel revenues and volume, do we not?

22          A     Uniquely for those two quarters, yes.

23          Q     I'd like to ask you some questions about your  
24 testimony where you state that the Postal Service's City  
25 Carrier Cost System, the CCS, corroborates the DRPW-only

1 results, the system that you advocate using.

2 And to do so, I would have you refer to U.S.  
3 Postal Service Witness Harahush's response to questions  
4 raised by Commissioner Goldway during hearings. I did also  
5 supply a copy of this to your counsel yesterday, and I  
6 assume you have that, and I will distribute that to the  
7 Commission.

8 [Pause.]

9 Now, on page 8, line 11 of your testimony, you  
10 state that CCS volumes, that the CCS volume corroborates the  
11 DRPW-only Parcel Post volume estimates.

12 Your -- I'd like you to refer to the portion of  
13 Witness Harahush's response which you have before you, which  
14 states, quote:

15 "The RPW system estimates volumes of mail for all  
16 forms of delivery. The RCCS estimates volume for rural  
17 carrier routes, while the CCCS estimates volume for city  
18 letter routes.

19 As a result, the RPW system includes mail  
20 delivered to customers via other delivery methods, from  
21 holdouts, box sections, and caller service recipients, for  
22 example."

23 Do you see that there?

24 A Yes, I do.

25 Q Now, I would ask you to refer to the table that

1 Witness Harahush provides in response to Commissioner  
2 Goldway's questions that is attached to his response.

3           Would you please confirm that not all mail is  
4 delivered on rural routes or city routes?

5           A     Yes. In fact, that's why I, as I describe in my  
6 testimony, add back a portion of the -- the parcel  
7 proportion of special purpose route volume to that estimate,  
8 in order to come to a better -- to add to that information  
9 to better understand what it might tell us.

10          Q     Now, this table that Witness Harahush has attached  
11 here, this has various columns, but it really represents  
12 volumes of only city carrier and rural carrier; is that  
13 correct?

14          A     Yes, that's correct.

15          Q     Now, could you confirm that, because, as you have  
16 agreed, not all mail is delivered on rural routes or city  
17 routes/ <sup>one</sup> ~~one~~ would expect RPW volume estimates to be higher  
18 than CCS volume estimates?

19          A     I would expect RPW volumes to be higher than the  
20 volumes solely delivered by city or rural carriers, yes, and  
21 so that's why I add back the special purpose route Parcel  
22 Post volume.

23          Q     And just for the clarification in the record, when  
24 we use CCS, that's a combination of both city carrier and  
25 rural carrier; is that correct?

1 I mean, when you talk about CCS --

2 A I guess I may have referred to CCS or -- in my  
3 testimony. I need to check this. I do intend that.

4 Q I know that's what you say, but that's what,  
5 apparently, everybody uses, that term, CCS, to include both  
6 the actual CCCS and the RCCS; the two of those together, the  
7 shorthand is CCS, correct?

8 A That's fine.

9 Q Okay.

10 Now, would you also confirm that mail delivered to  
11 firm holdouts, box sections and caller service recipients,  
12 are not delivered on rural routes or city routes, and  
13 therefore would not be included in CCS volumes?

14 A That does appear to be the case, although I should  
15 point out that if you take the volume that I have estimated  
16 from taking the CCS, both city and rural, adding back the  
17 special purpose routes to get the 261 or so million pieces,  
18 you have to believe that something on the order of ~~55~~  
19 million pieces of parcel post are delivered via those other  
20 methods, something like 17 percent of total Parcel Post  
21 volume, in order for those other methods to account for the  
22 difference between DRPW and the new hybrid system.

23 Q Well, you do anticipate me. If we could stick to  
24 the question at hand, although I will get to the point you  
25 were making, could you refer to the table attached to the

1 response and confirm that the city plus rural carrier volume  
2 for total all mail, comprise approximately 78.1 percent of  
3 RPW volume?

4 A Yes, that's what's shown on the table.

5 Q It's down at the last column, down at the bottom,  
6 and that takes all mail; is that right, and says that 78.1  
7 percent of all mail is either delivered by city carrier or  
8 rural carrier; isn't that what that suggests?

9 A Yes, it does.

10 Q Now, from that same table, would you confirm that  
11 the city carrier plus rural carrier volume for Parcel Post,  
12 according to this table, comprises approximately 79.8  
13 percent of RPW volume?

14 A Yes, that's what the table says.

15 Q Now, looking at the table again, is it not the  
16 case that the proportion of Parcel Post RPW volume that is  
17 recorded by either the RCCS or the CCS, that is, the 79.8  
18 percent of total, is very similar to the proportion of total  
19 mail volume, RPW volume that is recorded by either RCCS or  
20 CCS, that is, 78.1 percent?

21 A They are relatively close in magnitude, although I  
22 wouldn't necessarily expect that to be the case.

23 I believe I would expect Parcel Post to have a  
24 higher proportion because it seems unlikely -- it seems  
25 likely that the alternative methods, the P.O. Box from

1 holdouts and so on, are going to be a higher proportion of  
2 mail, letter class mail, for example, that would be  
3 delivered via those methods.

4 And since letter class mail is such a large  
5 proportion of the total, it would obviously drive the total  
6 mail statistic that we were just talking about.

7 So I would expect to see the Parcel Post  
8 proportion be somewhat higher than the total mail  
9 proportion.

10 Q You challenge this number?

11 A That's not at all what I said.

12 Q You're just surprised by it?

13 A No, I'm saying it is not -- the fact that those  
14 two numbers are similar is not inconsistent with my  
15 conclusion that the carrier cost system numbers as I  
16 presented in my testimony, are consistent with the DRPW-only  
17 estimates prepared for 1998.

18 Q Well, if you will forgive me, let me go on. And  
19 if you could confine your answers to the question I ask,  
20 would you refer to your testimony on page 8, lines 14-16  
21 where you say, quote:

22 "The addition of approximately nine million Parcel  
23 Post pieces delivered on special purpose routes in FY 1998  
24 results in Parcel Post volume of 261 million pieces in FY  
25 1998. That result is much more consistent with the

1 DRPW-only estimate of 266 million pieces than is the hybrid  
2 DRPW estimate of 316 million pieces."

3 Now, do you not imply in that testimony that  
4 Parcel Post volume is equal to city and rural carrier  
5 delivery, plus a special purpose route delivery volumes?

6 A The statement just says that those totals are more  
7 consistent. I don't have a means of estimating the volume  
8 of Parcel Post delivered by those methods that we referred  
9 to in Witness Harahush's response.

10 Q Well, then, how can you -- since you don't know  
11 what that is, how can you say that the DRPW estimate is  
12 consistent -- which is supposed to be total Parcel Post  
13 volume, is consistent with the CCS, which is what your  
14 testimony is, that the CCS corroborates the DRPW-only  
15 results?

16 A It corroborates it in the sense that it is -- the  
17 numbers I presented are closer.

18 And as I said, you'd have to believe that over 17  
19 percent or 50-some-odd million pieces of Parcel Post are  
20 delivered by those alternative methods for you to believe  
21 that the BRPW-based estimate or the hybrid-based estimate is  
22 more consistent than is the DRPW-based estimate.

23 Q Do you --

24 A It's a matter of inference, based on an  
25 understanding of numbers that are available.

1 Q Do you have any evidence to contradict that  
2 possibility that there are that many that are delivered by  
3 these other methods that are not included in this system?

4 A I don't have any calculations to that effect,  
5 although, as I said, looking at the statistics from the  
6 table we've been talking about, and believing that the  
7 letter proportion delivered by those methods would be higher  
8 than the parcel proportion, it leads me to the conclusion  
9 that I state in my testimony.

10 Q Isn't it a more rational conclusion for you to  
11 conclude that since the special purpose, city carrier, and  
12 rural carrier delivery, which excludes all other forms of  
13 delivery, is roughly approximate to the DRPW, then that the  
14 DRPW must necessarily underestimate parcel volumes because  
15 it takes no account of all these other methods of delivery?

16 A RPW, as a whole, using DRPW, the DRPW basis for  
17 the permit imprint Parcel Post section, would still take  
18 into account, the other methods of delivery that we've been  
19 talking about.

20 When we say DRPW as opposed to BRPW, we're really  
21 referring to the permit imprint Parcel Post portion.

22 The numbers that we're comparing still are total  
23 Parcel Post volume, revenue, and weight estimates for all  
24 the methods of delivery.

25 Q Yes, well, let me put it to you this way: If D,

1 meaning DRPW, is supposed to equal A plus B plus C plus D,  
2 where A is city carrier, B is rural carrier, C is special  
3 purpose, and D are other forms of delivery, now that is your  
4 contention, isn't it, that D equals those four other forms  
5 of delivery?

6           You're claiming that the DRPW is the accurate  
7 estimate.

8           A     I believe that the DRPW-based estimate, which, as  
9 I said, really is shorthand for DRPW as the input to the  
10 total that is for permit imprint Parcel Post, is more  
11 accurate than the alternative, which is the BRPW input to  
12 the permit imprint Parcel Post for the total.

13          Q     Well, if it's to be accurate, then is it not the  
14 case then, as we explained, that D must approximately equal  
15 A plus B plus C plus D?

16          A     I'm not sure -- I apologize, but I haven't  
17 followed all the --

18          Q     A is city carrier; B is rural carrier; C is  
19 special purpose, and D is all other forms of delivery.

20                 Now, if your DRPW-only is to be accurate, then it  
21 must roughly equal A plus B plus C plus D; must it not?

22          A     Yes.

23          Q     And isn't it the case that, in fact, D equals only  
24 A plus B plus C?

25          A     As I have said --

1 Q Leaving out D?

2 A As I've said, in order to believe that the  
3 BRPW-based method is more correct, you have to believe that  
4 D, all other, is equal to 54, 55 million pieces, which is 17  
5 percent of the total. That's what you have to believe in  
6 order to think that the BRPW system is more accurate.

7 Based on what I have described here today, I do  
8 not believe that's the case.

9 Q Do you have any documented evidence to disprove  
10 that that could be the case?

11 A I'm not aware of any calculations as to the volume  
12 that would be delivered by those alternative methods. I'm  
13 offering this as a point which I believe corroborates the  
14 other problems we've identified with the new system, and as  
15 a means of explaining why it is preferable to use the  
16 DRPW-based methodology.

17 Q Just a few more questions on another subject you  
18 cover, and that is the general subject of the counting of  
19 Standard A parcels as Standard B Parcel Post.

20 On page 6 of your testimony you state that  
21 Standard A parcels, for which Parcel Post rates were lower,  
22 could pay the lower Parcel Post rates, even though they  
23 maintain the characteristics of Standard A mail.

24 And you cite as authority for that in Footnote 3,  
25 the Domestic Mail Manual, Paragraph (e), 620.1.1 (Issue 53).

1 Do you see that?

2 A Yes, I do.

3 Q Is it not the case that this section refers only  
4 to single piece Standard A mail?

5 A That section does. That's why we also make  
6 reference to the other DMM section at the conclusion of that  
7 footnote, and there are actually -- the various -- the RPW  
8 -- DRPW input manual, until the Postal Service made a change  
9 to that, which they explained recently, made reference to  
10 this. There are a variety of places in the Postal Service  
11 documentation which lead one to the same conclusion. It's  
12 not just this one section that we cite; these two were the  
13 most explicit.

14 Q Is it not the case that the BRPW only captures  
15 data on permit imprint mailings, not single-piece Standard A  
16 parcels, the parcels that are covered by the section you  
17 cite?

18 A For parcel post, BRPW only captures permit imprint  
19 parcel post, that's correct.

20 Q Well, it doesn't capture single-piece Standard A  
21 parcels, either, does it?

22 A Actually, I reviewed the Postal -- the postage  
23 statements for Standard A, and it does appear that Standard  
24 A single piece can be entered on a permit imprint postage  
25 statement, and the DMM sections that I've reviewed also say

1 that Standard A single piece can be presented with permit  
2 imprint endorsement or permit imprint method of payment.

3 Q As of when?

4 A I believe we've got the DMM section in here if you  
5 would like me to have a look at it.

6 Q Well, isn't it the case that before the  
7 implementation of the R-97 decision, Postal regulations  
8 allowed the mailing of a Standard A parcel at Standard B  
9 rates if the Standard A parcel rate was higher than the  
10 Standard B rate.

11 A I believe that's what we said, yes.

12 Q And isn't it also the case that the only instance  
13 in which a Standard A rate would be higher than a Standard B  
14 rate at that time was in the case of single-piece Standard  
15 A?

16 A I don't know if that's the only instance. I do  
17 know that that is an instance, yes.

18 Q Can you think of any other?

19 A I haven't done an exhaustive search, but I did  
20 find --

21 Q We have a written interrogatory which will cause  
22 you to do further research on that.

23 Are you aware of whether this is still permitted  
24 since January of 1999 when the decision -- the R-97 decision  
25 was implemented?

1 MR. MCKEEVER: Mr. Chairman, may I ask for  
2 clarification of what "this" is in that question Mr. May  
3 asked, the "this is still permitted"?

4 MR. MAY: The payment of the -- the payment that  
5 -- the thing we're talking about, the payment of a Standard  
6 B rate on a Standard A parcel because the Standard B rate  
7 was lower.

8 BY MR. MAY:

9 Q Did that situation continue to exist after January  
10 of 1999?

11 A I don't know for sure if it continued to exist,  
12 but the recent Postal Service interrogatory responses which  
13 contemplate that situation at this time suggest that it can  
14 still exist in practice.

15 Q You are aware, or are you not, that the Commission  
16 eliminated or they recommended the elimination and it was  
17 agreed to by the governors, the elimination of single-piece  
18 Standard A?

19 A I thought we were referring to the possibility  
20 that Standard A pieces in general for which the Standard B  
21 rate is lower. I thought that was the situation that you  
22 were describing.

23 Q There is no longer -- I mean, the single-piece  
24 Standard A doesn't exist. Are you aware of that or not?

25 A I understand that to be the case, yes.

1 Q And that was the -- was that not the only case in  
2 which the Postal Service allowed a Standard A parcel to be  
3 rated as a Standard B parcel?

4 A As I said, if that is -- I don't know if that is  
5 the only case or not. The regulations do not and the  
6 materials I've reviewed do not limit the possibility to  
7 Standard A single piece, A, and B -- although perhaps  
8 unfortunately -- but anyway, second, the recent Postal  
9 Service pronouncements that changed the way these pieces are  
10 treated in the various systems for revenue and for cost  
11 suggest that they believe the situation may still arise;  
12 otherwise, there wouldn't be need be regulation -- or for  
13 those instructions in the first place.

14 Q Mr. Sellick, do you know or do you not know  
15 whether the Postal Service -- or whether the rate schedule  
16 that this Commission recommended and which was put into  
17 effect in January of 1999 allows a Standard A parcel to be  
18 rated as Standard B? I mean, you either do or you don't  
19 know.

20 MR. MCKEEVER: Mr. Chairman, may I ask that the  
21 question be repeated? I think Mr. May switched and was  
22 referring to what the Commission allows as opposed to what  
23 the Postal Service allows, and I'm not -- well, may I ask  
24 that the question be repeated?

25 MR. MAY: Yes.

1 BY MR. MAY:

2 Q The question is, Mr. Sellick, are you aware or are  
3 you not aware that the Postal Rate Commission recommended  
4 the elimination of Standard A parcels in the R-97 case and  
5 also recommended that Standard A parcels not be allowed to  
6 be rated as Standard B?

7 MR. McKEEVER: Objection, Mr. Chairman. To the  
8 extent that it refers to Standard A single-piece, it has  
9 been asked and answered. I don't believe there is any  
10 Commission decision that says Standard A parcels have been  
11 eliminated. I think Mr. May meant to say Standard A  
12 single-piece mail.

13 MR. MAY: Yes, I did mean to say Standard A  
14 single-piece, and I asked -- and I'm asking the witness,  
15 does the witness understand the Commission's decision to  
16 have eliminated Standard A parcels, and furthermore does he  
17 understand the Commission's rate recommendation for parcels,  
18 Standard A and Standard B parcels, eliminated the  
19 possibility of treating a Standard A parcel at Standard B  
20 rates.

21 MR. McKEEVER: Mr. Chairman, it has been asked and  
22 answered three or four times.

23 MR. MAY: Well, I mean, he either is or isn't  
24 aware.

25 CHAIRMAN GLEIMAN: If it's been asked and answered

1 three or four times, let's let him ask it one more time and  
2 get one more answer and then we'll move on from there.

3 THE WITNESS: One more time just to keep fresh in  
4 my mind, please, exactly the question you would like me to  
5 answer.

6 BY MR. MAY:

7 Q If you've answered it four times, I can't believe  
8 I have to repeat the question.

9 A I'm just trying to make sure I have the exact  
10 wording in mind.

11 Q The question is, in your testimony on this  
12 subject, did you have in mind that the Postal Service --  
13 excuse me -- that the domestic mail manual that implemented  
14 the Commission's R-97 decision continued to allow Standard A  
15 single-piece parcels to be rated as Standard B parcels?

16 A In my testimony, I had in mind the case that was  
17 in place in 1998 base year, which is what my testimony  
18 addresses. Specifically as to whether that situation can  
19 persist after the base year 1998, I haven't done an  
20 exhaustive search on that.

21 As I said, Postal Service instructions to various  
22 of their statistical staff suggests that they believe that  
23 situation may still arise.

24 MR. MAY: I have some interrogatories on this  
25 subject. That's all I have, Mr. Chairman.

1 CHAIRMAN GLEIMAN: Mr. Hollies, do you have some  
2 questions?

3 MR. HOLLIES: I might have a couple questions.

4 CROSS EXAMINATION

5 BY MR. HOLLIES:

6 Q Good morning, Mr. Sellick.

7 A Good morning.

8 CHAIRMAN GLEIMAN: Before you begin, since you  
9 said you were going to have a couple questions, can you give  
10 us a sense of how long you're going to go? Now might be a  
11 good chance, if you're going to be asking a fair number of  
12 questions, to take a mid-morning break.

13 MR. HOLLIES: That's probably the most prudent  
14 course.

15 CHAIRMAN GLEIMAN: Let's take ten.

16 [Recess.]

17 CHAIRMAN GLEIMAN: It appears as though all the  
18 right people are in all the right seats, so I guess we can  
19 get started.

20 Mr. Hollies, take it away.

21 BY MR. HOLLIES:

22 Q Once again, good morning.

23 A Good morning.

24 Q Fortunately, I can shorten this up a bit thanks to  
25 the first hour we spent here this morning.

1           In your supplemental testimony, Mr. Sellick, you  
2 claimed that Standard Mail A is mis-recorded as Standard  
3 Mail B. Is that correct?

4           A     My understanding is that that is the case for the  
5 PERMIT system, yes.

6           Q     Let's begin with the base year first proposed in  
7 this docket. It was Government Fiscal Year 1998; is that  
8 correct?

9           A     Yes, it is.

10          Q     How could a learned observer determine from an  
11 inspection of a mail piece that it was Standard Mail A?

12          A     Based, I believe -- it depends where the observer  
13 sits, I suppose. If they are working in the PERMIT system,  
14 then it would be presented on a form. If you're simply  
15 observing the piece, it would depend on the endorsements and  
16 the other printing on the item itself.

17          Q     How could that latter learned observer, the one  
18 actually looking at the mail piece, determine from an  
19 inspection that a mail piece was Standard Mail B?

20          A     Actually, relevant to this question and the  
21 previous, I should say that a key point is whether the piece  
22 weighs greater or less than 16 ounces, as that is the  
23 instructions that I've reviewed and the various regulations  
24 seem to hinge for Standard Mail B, parcel post anyway, as to  
25 whether a piece weighs more or less than 16 ounces.

1 Q Do you have actual knowledge that no Standard Mail  
2 B weighs less than a pound?

3 MR. McKEEVER: Mr. Chairman, the Commission's  
4 classification schedule requires that parcel post weigh 16  
5 ounces or more, so I'm not sure what counsel's question  
6 means. That's a legal requirement stated in the domestic  
7 mail classification schedule promulgated by this Commission  
8 that parcel post must weigh 16 ounces or more. So if  
9 counsel is asking if, in fact, it's a question that doesn't  
10 make a sense.

11 CHAIRMAN GLEIMAN: Counsel?

12 MR. HOLLIES: The question sought a factual  
13 response as to the witness' knowledge. The objection  
14 indicates in and of itself that it does not call for a legal  
15 conclusion. As such, I believe it is a perfectly proper  
16 question.

17 MR. McKEEVER: Mr. Chairman, that was my point.  
18 It is a matter of law under the domestic mail classification  
19 schedule, not a question of fact, because parcel post cannot  
20 weigh -- you cannot enter a piece that weighs less than 16  
21 ounces as parcel post under the domestic mail classification  
22 schedule as a matter of law. And if it's being done, it's  
23 being done incorrectly.

24 CHAIRMAN GLEIMAN: Well, that may be the case and  
25 I don't know what's happening out there and lots of

1 incorrect things happen, perhaps in this area, too. I don't  
2 know.

3 Your point is well taken about the legal issue  
4 here, but let's let Mr. Hollies proceed with his question  
5 about whether the witness has any knowledge of something  
6 happening out there.

7 MR. MCKEEVER: Then I ask that the question be  
8 repeated. I didn't take it to mean is it being recorded as  
9 Standard A, but is it -- is it being recorded as Standard B,  
10 but is it Standard B. But if the question is being  
11 recorded, I may have no objection.

12 MR. HOLLIES: I would ask that the question be  
13 read back.

14 [The reporter read the record as requested.]

15 MR. MCKEEVER: Mr. Chairman, I would maintain my  
16 objection unless the question is rephrased, Do you have  
17 actual knowledge whether mail less than a pound is being  
18 recorded as Standard B? But I think the legal issue, which  
19 is clear, answers the question that Mr. Hollies asked, and  
20 that is that Standard B does not weigh less than 16 ounces,  
21 as a matter of law.

22 MR. MAY: Mr. Chairman, a further clarification, I  
23 mean I am afraid there have been too many loose and  
24 undefined things here. Most of the time we are talking  
25 about Parcel Post. Parcel Post is not all of Standard B,

1 and I think there is a lot of confusion in this record  
2 because both counsel, myself included, and the witness, have  
3 been sloppy about using interchangeably Standard B and  
4 Parcel Post, and I think that is going to lead to some  
5 confusion.

6 MR. McKEEVER: I agree.

7 CHAIRMAN GLEIMAN: Mr. May, I think that is an  
8 excellent point you have made. We are aware that there are  
9 a few other areas, including perhaps Bound Printed Matter,  
10 where the answers might come up different than with respect  
11 to Parcel Post. So perhaps at this juncture, we all ought  
12 to keep that in mind, and when the questions are presented,  
13 they ought to be presented in the context of Parcel Post --  
14 Standard B Parcel Post, as opposed to Standard B, the  
15 generic, and I think that will help move things along. It  
16 also might result in different answers to questions.

17 MR. HOLLIES: Can you answer the question?

18 CHAIRMAN GLEIMAN: Why don't you restate the  
19 question, and then we will know whether you are talking  
20 about Standard A, Standard B, Standard B Parcel Post,  
21 Standard generally. A point was made with respect to Parcel  
22 Post, when I listened to the question I thought I only heard  
23 the phrase as Standard used, I didn't hear the  
24 characterization of a portion of Standard. Are you talking  
25 about Standard B generally now?

1 MR. HOLLIES: The form of my question, which we  
2 have now heard twice, focused exclusively upon Standard Mail  
3 B.

4 CHAIRMAN GLEIMAN: That is all of the categories  
5 of Standard B?

6 MR. HOLLIES: That is the question.

7 CHAIRMAN GLEIMAN: Okay.

8 THE WITNESS: My understanding is that Standard B  
9 Parcel Post, as we have discussed, cannot weigh less than  
10 one pound. My understanding of other Standard B categories  
11 is that that can -- or classes, is that can weigh less than  
12 one pound, or I believe that is possible, but I am not 100  
13 percent sure on that.

14 BY MR. HOLLIES:

15 Q Do you have actual knowledge that no permit  
16 imprint Parcel Post volume weighs less than one pound in  
17 fact?

18 A My recollection from examination of the data that  
19 has been provided is that it shows that pieces that have  
20 been recorded as Standard B Parcel Post show up as weighing  
21 less than one pound each. Whether those pieces should be  
22 Standard A -- excuse me, Standard B Parcel Post is really  
23 part of the question that I was attempting to raise in my  
24 testimony.

25 Q When I first asked you about a learned observer's

1 ability to determine that a mail piece was Standard Mail A,  
2 one of your responses was that an inspection of the markings  
3 upon the piece might be useful. Would that also be true of  
4 permit imprint Parcel Post?

5 A The markings on the piece, I believe, should  
6 indicate as to whether it is a permit imprint piece of not.  
7 As to whether it is Standard B Parcel Post, my recollection  
8 is that the instructions as to how to distinguish that  
9 particular category do not rely exclusively on the markings  
10 on the piece. I would need to refer to -- it would depend  
11 on whose instructions we are talking about as to exactly  
12 what the instructions are as to how to distinguish Standard  
13 B Parcel Post permit imprint.

14 Q You did review the data collector instructions for  
15 the DRPW system, did you not?

16 A Yes, I did.

17 Q And what do those specify? I am not looking for  
18 great detail, but a general response, if that helps.

19 A I would rather just briefly refer to something if  
20 I may.

21 [Pause.]

22 THE WITNESS: Actually, I don't have the pages  
23 that I thought I did with me, but my recollection is that,  
24 again, it is a combination of weight and possibly insignia  
25 endorsements and indicia. But, again, I don't have that,

1 those pages in front of me.

2 BY MR. HOLLIES:

3 Q In light of your response that the data collector  
4 instructions might possibly involve looking at indicia and  
5 markings, do you have any understanding that those  
6 instructions would exclude review of such markings?

7 A Again, subject to review of the actual  
8 instructions, I don't, as I sit here, recall any  
9 instructions that say, that explicitly say to exclude a  
10 review of the indicia and other markings.

11 Q How much Standard Mail A do you believe was  
12 entered and misrecorded as Parcel Post?

13 A It is really impossible to make that calculation.  
14 As I have said, the data we have reviewed, the disaggregated  
15 data, does show pieces that have been recorded as Standard B  
16 Parcel Post as being less than one pound. But because of  
17 the -- I discuss in my testimony that BRPW does not  
18 calculate, does not distribute total weight of a mailing  
19 correctly to VIP code. As a result of that, it is really  
20 impossible to know how much -- how many pieces or any other  
21 variable you would care to use, of this Standard A have been  
22 recorded as Standard B Parcel Post in the PERMIT System.

23 So it is -- I guess it is not limited to, I don't  
24 believe, the pieces that one can observe in PERMIT, or in  
25 the BRPW data as being less than one pound because of the

1 weight problem I discuss in my testimony.

2 Q Okay. My question was with respect to Parcel Post  
3 in general, and you have ~~leap~~<sup>leaped</sup> to my next question, but not  
4 quite in the way I had hoped. I believe you indicated that  
5 you couldn't state how much Standard Mail A you believe was  
6 entered and misrecorded as Parcel Post. Is your answer the  
7 same, therefore, with respect to permit imprint Parcel Post?

8 A By referring to the BRPW and PERMIT System,  
9 implicitly, that is what I was referring to was the permit  
10 imprint Parcel Post. I was making reference to that because  
11 that is one place where I have seen some information and  
12 believe it would be difficult to quantify.

13 Q Let's turn now to 1999, in the period after the  
14 rates from the Docket Number R97-1 omnibus case were placed  
15 into effect. How then would a learned observer determine  
16 from an inspection of a mail piece that it was Standard Mail  
17 A?

18 A Well, I guess that depends in part, or would hinge  
19 in part on the instructions which have been now given to at  
20 least some of the data collectors that were provided as part  
21 of a Postal Service interrogatory response. These new  
22 instructions seem to have created a de facto classification  
23 change where these pieces that were previously defined as  
24 Standard A are now being defined and marked according to  
25 these instructions as Standard B at least partway through

1 the year in 1999.

2 Q So, could your answer then be characterized as  
3 saying that this learned observer might look at the markings  
4 on the mail piece?

5 A As in 1998, part of the learned observer's  
6 determination I think would depend on the markings on the  
7 mail piece, but it has become I believe significantly more  
8 confused as a result of these instructions that have been  
9 promulgated by the Postal Service.

10 Q I am sure that topic will be addressed on brief.  
11 How could this same learned observer determine from an  
12 inspection that mail piece was Parcel Post?

13 A Again, I don't believe -- well, this would in part  
14 depend on whether one is following the instructions as  
15 promulgated by the Postal Service now, or the requirements  
16 in the DMM and the DMCS, and I believe other places, that  
17 say that Parcel Post must be more than 16 ounces. So, I  
18 guess that would depend on the methodology I think the  
19 learned observer is applying.

20 Q Well, if you can for a moment get past the issue  
21 of -- the legal issue of what classification might arguably  
22 apply to a given piece and refer simply to the situation in  
23 which a DRPW data collector would find him or herself, what  
24 would that data collector use to make a determination that a  
25 particular piece is Parcel Post?

1           A     Again, generally speaking, I believe that data  
2 collector would make reference to the weight of the piece as  
3 well as any markings and endorsements on that piece.

4           Q     Again, with respect to 1999, that is after  
5 implementation of the last omnibus -- or the last set of  
6 rates, how much Standard Mail A do you believe was entered  
7 and misrecorded as Parcel Post?

8           A     I haven't seen any, I don't believe, 1999 data,  
9 and I haven't attempted to make any kind of calculation to  
10 that effect.

11          Q     So you wouldn't know how much of that was permit  
12 imprint Parcel Post either?

13          A     No, I would not. I have focused my testimony in  
14 this section primarily on the base year 1998, which is  
15 addressed.

16          Q     On page 4 of your supplemental testimony, you  
17 claim that the weight data from Library Reference 401,  
18 LR-I-401, differ in the aggregate from the LR-I-194 weight  
19 data by 55 million pounds, is that correct?

20          A     Yes, I believe that is correct.

21          Q     If you disregard the three Library Reference 401  
22 records with the largest weight differences, what does the  
23 aggregate difference then amount to?

24          A     I don't know what the aggregate total is. I know  
25 there are three records which account for a significant

1 portion of that, but also that, as I recall, the weight  
2 differences, although smaller, are spread throughout a large  
3 number of records, but I don't recollect the amount that  
4 those three records contribute to that total.

5 Q Would 4 million pounds sound about right?

6 A I would need to check with a colleague to confirm  
7 that.

8 Q What if you disregard the 113 records with the  
9 largest weight discrepancies, then what does the aggregate  
10 difference become?

11 A Again, I would need to check with a colleague to  
12 determine that number.

13 MR. HOLLIES: Mr. Chairman, some of this  
14 information that I have just asked about, or related  
15 information focused on volume and on pieces rather than on  
16 weight, is the subject of interrogatories filed yesterday by  
17 Parcel Shippers to Mr. Sellick. In the event that UPS does  
18 plan on providing affirmative responses to those  
19 interrogatories, I can move on in my questioning now. In  
20 the alternative, I guess I would request that the witness be  
21 directed to provide this information.

22 MR. McKEEVER: Mr. Chairman, we will undertake to  
23 answer the questions that counsel has asked today. We will  
24 provide a written answer to those questions.

25 CHAIRMAN GLEIMAN: I thought that the question

1 that Mr. Hollies had just -- or the point that Mr. Hollies  
2 had just made was that if he had some assurance that UPS  
3 intended to respond, and let me characterize beyond what he  
4 said, fully and promptly to the interrogatories that had  
5 been filed yesterday by the Parcel Shippers Association,  
6 then he might be in a position to forego his next line of  
7 questions. Is that what you were implying or did I  
8 misunderstand?

9 MR. HOLLIES: No, you've got what I said.

10 CHAIRMAN GLEIMAN: So I guess the issue here is  
11 what we might expect. I don't know whether, indeed, you've  
12 had an opportunity to -- in fact, you've had an opportunity  
13 to even review those interrogatories yet, and you may not be  
14 in a position to respond.

15 I mean, it's always been my impression that all of  
16 the participants make a conscientious effort to respond to  
17 all interrogatories, understanding that they have rights and  
18 prerogatives that they try to protect.

19 And my assumption is that you will -- UPS will  
20 proceed in that manner with respect to the interrogatories  
21 that were filed, but I guess that, sitting here, it's a  
22 question of whether Mr. Hollies wants to run down his list.

23 I know what I would do if I was in his position,  
24 but he's asking the question and wants to see if he can  
25 shorten the proceedings today.

1 MR. MCKEEVER: Mr. Chairman, I wasn't aware until  
2 a little while ago when Mr. May referred to interrogatories,  
3 that there even had been any filed.

4 So you are correct; I have not had an opportunity  
5 to see any interrogatories that were filed yesterday, and,  
6 therefore, I'm just not in a position to respond one way or  
7 the other as to whether UPS would respond and how.

8 CHAIRMAN GLEIMAN: Well, you have your answer, Mr.  
9 Hollies. Now, you have to make a decision.

10 But while you're mulling over what your decision  
11 is, let me ask Mr. McKeever, again, recognizing that you  
12 were not aware until this morning when they were mentioned,  
13 that some interrogatories had been filed yesterday, that you  
14 determine whether the witness will be able, assuming we're  
15 going to get responses, that the witness will be able to  
16 respond by the 28th rather than 30th, which would be the  
17 ordinarily-acceptable time?

18 And the reason I ask this is that we're trying to  
19 prepare as orderly a record as we possibly can. And if  
20 those responses were in by the 28th, I think it would help  
21 in that regard.

22 So, could I ask that once you've had an  
23 opportunity, that you let us know whether you will be able  
24 to respond or UPS will be able to respond by the 28th?

25 MR. MCKEEVER: Yes, Mr. Chairman.

1 CHAIRMAN GLEIMAN: I appreciate that, and if it's  
2 possible to respond by then, we would be most appreciative.

3 Mr. Hollies, the \$500-question, do you want to go  
4 ahead or don't you?

5 MR. HOLLIES: Yes, I want to go ahead. Moreover,  
6 it therefore seems appropriate to also ask each of the  
7 questions embodied in the interrogatory set.

8 So I guess we'll be here a little longer.

9 CHAIRMAN GLEIMAN: I'm a 7/24 man, so it doesn't  
10 matter to me. I can sit in this room as long as it's  
11 necessary.

12 I'm not inviting you to make it longer than it  
13 needs to be, but you do what you've got to do.

14 BY MR. HOLLIES:

15 Q Going back, Mr. Sellick, to your comparisons  
16 between the data in Library References 401 and 194, how  
17 close are the aggregate counts of volume?

18 A My recollection is that they are very close. And  
19 if you give me a moment, I think I have -- I may have an  
20 answer to that question.

21 [Pause.]

22 Subject to check, I believe the -- your question  
23 was pieces, I believe, volume?

24 Q Yes.

25 A I believe the pieces were less than 1,000 pieces

1 off as between 401 and 194, although I think the Postal  
2 Service had computed a slightly different number.

3 But I think that's the number we had, was  
4 something less than a thousand pieces different.

5 Q And what about the aggregate counts of revenue?

6 A Again, I believe that was very close. I also  
7 think my recollection is the Postal Service and we differed  
8 as to how far off, but I believe that was also less than  
9 \$1,000 off in this case, again, subject to check.

10 MR. HOLLIES: For the record, Mr. Chairman, we  
11 will be filing errata to the testimony of Witness Prescott  
12 on these very numbers. So perhaps the ones the witness has  
13 in mind are the very ones we'll be using. I don't know  
14 that, but --

15 BY MR. HOLLIES:

16 Q Without needing to get into the specifics, you did  
17 receive some information informally from the Postal Service  
18 regarding the differences between Library References 401 and  
19 194, and how the reconciliation could be improved; did you  
20 not?

21 A I believe we did receive some information as to  
22 the -- are referring specifically to the weight difference,  
23 or --

24 Q I did not limit the question to weight.

25 A I believe we did have a significant -- an amount

1 of back-and-forth between us and the Postal Service as to  
2 how to reconcile Library References 401 and 194.

3 And I don't believe we ever reached complete  
4 closure on that, but there was a great deal of assistance  
5 from the Postal Service in that regard.

6 Q In light of what you learned from those exchanges,  
7 would you be surprised if the Postal Service was ultimately  
8 able to account for all but 387 pounds -- and we are talking  
9 about weight -- of the difference?

10 A I don't know if I would characterize it as  
11 surprised, but my recollection of where this last stood was  
12 that the Postal Service believed there was a data entry  
13 error somewhere on the weight records.

14 And I'm not sure that was something we would have  
15 been able to resolve in the data by itself.

16 Q I think that's fair. How many total records did  
17 you find problematic in any respect?

18 And before you do, please define record.

19 A Fair point.

20 The definition of record will matter. I think,  
21 literally, in the 401 dataset, a record is a postage  
22 statement, but for many comparisons, it's really only  
23 relevant to think of the associated VIP blocks, VIP blocks  
24 as a record from that dataset.

25 Either way, my answer is that I would need to

1 check, and I don't recall how many records, whether postage  
2 statements of VIP blocks differed in any significant way  
3 from -- or there were some rounding issues, I believe -- in  
4 any significant way from the 194 data.

5 Q Do you have any feel for the rough proportion of  
6 records at the VIP level as compared with the postage  
7 statement level?

8 A That differed, or in general?

9 Q No, no, I'm just asking for how many -- if you  
10 will, how many VIP records are associated with an average  
11 postage statement record; what's the relative proportion and  
12 the aggregate?

13 A One moment.

14 [Pause.]

15 I know there are, on average, multiple VIP blocks  
16 associated with each postage statement, and there are 200  
17 and some odd thousand postage statements in there, I  
18 believe.

19 Again, I need to check to find out exactly how  
20 many VIP blocks there were. But my recollection -- I do  
21 have some statistics in my testimony with respect to, I  
22 think, the average postage statement includes more than one  
23 VIP block.

24 Q Okay, well, I have some information that maybe you  
25 would be willing to confirm, subject to check, and that is

1 that there are on the order of 600,000 VIP-level records;  
2 does that make sense?

3 A That sounds about right, yes.

4 MR. HOLLIES: Mr. Chairman, the witness indicated  
5 that he could check on the total number of records that were  
6 found problematic from UPS's side.

7 I could renew my request that that information be  
8 provided each time as we go through my questions, or perhaps  
9 we can set up a standing request, if that's possible.

10 I have an additional alternative to put in play in  
11 the alternative to trying to get responses to each of a  
12 series of fairly detailed questions.

13 It may be that I can work with counsel for UPS and  
14 work out a stipulation that is relatively less overall work.  
15 But --

16 MR. McKEEVER: Mr. Chairman, our preference would  
17 be to do it the way that involves less work. So, if that  
18 was a choice given to me, that's the choice I make.

19 CHAIRMAN GLEIMAN: I'm shocked.

20 [Laughter.]

21 MR. McKEEVER: I'm not quite sure.

22 CHAIRMAN GLEIMAN: I actually think that while it  
23 will take more words from you, Mr. Hollies, that inasmuch as  
24 you want to work out a stipulation later, based on what's  
25 transpiring here today in the hearing room, that it's better

1 for you to make the point each time that you want the  
2 additional information, and then you and your esteemed  
3 colleague on the other side of this cross examination can  
4 work out the ground rules and just how you want to pull that  
5 all off.

6 But, you know, if we have a standing order that,  
7 you know, there's going to be more information that's  
8 desired, it leaves us in a position where there can be some  
9 disputes later on about whether something was, indeed,  
10 intended to be required in the hearing room or not.

11 So you should state each time you want something,  
12 and then you and Mr. McKeever can work out the details later  
13 on about how to stipulate or provide or whatever the two of  
14 you wish to work out.

15 MR. HOLLIES: Okay, we would like to know how many  
16 total records were found to be problematic, and in what  
17 respect or respects.

18 CHAIRMAN GLEIMAN: That was kind of a followup to  
19 a question, right? So --

20 MR. HOLLIES: I asked the question, and he said he  
21 would have to check, the witness said he would have to  
22 check.

23 CHAIRMAN GLEIMAN: That's fine.

24 MR. MCKEEVER: And we will check.

25 CHAIRMAN GLEIMAN: Okay, now, let's do the next

1 question, and when you get an answer that prompts you to ask  
2 that followup about how many and in what form, you can do  
3 that, and then we'll tally them all up at the end of the  
4 day, or you all can tally them all up at the end of the day  
5 and figure out how you want to respond to them.

6 BY MR. HOLLIES:

7 Q Okay, how many total records, postage  
8 statement-level records appear in Library Reference 401? I  
9 know we got a partial answer.

10 That's something that I would like a specific  
11 answer to as well.

12 A As to -- I believe 212,000 or so, subject to  
13 check. But I will -- we can provide that information  
14 specifically.

15 Q Is that also true then of the VIP-level record  
16 count?

17 A That we can provide it specifically? Yes.

18 Q Looking at page 5 of your supplemental testimony  
19 where you state, quote, "More nonsensical records have been  
20 identified in the disaggregated data than were revealed by  
21 an analysis of the aggregated data. Only 75 of five  
22 hundred" -- excuse me -- "73 of 555 records which failed the  
23 Postal Service's very broad revenue tolerance test, when  
24 applied to the disaggregated data, could be detected at the  
25 disaggregated level." unquote.

1           Now, I would note that you did correct the numbers  
2           in the text to some extent, and I would ask that you  
3           basically update the question to reflect the new form of  
4           your testimony. Can you tell us how many records, how many  
5           pieces, and how much revenue are associated, respectively,  
6           with nonsensical records, total records and the percentage  
7           that are nonsensical?

8           A       With respect to the number of VIP records, subject  
9           to the correction made this morning, my testimony does  
10          provide that, and the correction is that there were six  
11          hundred and -- excuse me 545 what I refer to as nonsensical  
12          records with respect to the revenue tolerance test in the  
13          401 data. Of those, 63, in the corrected testimony, are  
14          detectable or would have been detected by an e-flag in the  
15          aggregate BRPW data. And we have mentioned that the total  
16          number of records, VIP and Postal statements will provide  
17          subsequently. And also, I don't know the total revenue  
18          associated with those pieces or the total. I will have to  
19          provide those as well, as well as the percentage.

20               MR. HOLLIES: Okay. I would like that information  
21               to be provided, Mr. Chairman.

22               MR. MCKEEVER: Mr. Chairman, we will --

23               CHAIRMAN GLEIMAN: We can move it along. We have  
24               an understanding here that you are going to ask questions,  
25               you are going to get partial or non-answers, you are going

1 to ask for information that you would like to have in  
2 follow-up. We are going to assume that, you know, that is  
3 the standing order of the day. And then after this is all  
4 over, you are going to sit down with Mr. McKeever or talk  
5 with him, or e-mail back and forth, or whatever it is you  
6 want to do, and you are going to sort out how you can get  
7 responses to all this information.

8 My understanding was, from what you said earlier,  
9 that there may be some way to make all these requests less  
10 onerous in total than they might otherwise appear to be  
11 individually as made on the record here today. And I am  
12 just going to let your good offices work together to that  
13 end.

14 If you reach an impasse, then I am sure you will  
15 let me know.

16 MR. HOLLIES: That is fine with me, Mr. Chairman.  
17 And for the record, may we note that Mr. McKeever also  
18 nodded in the affirmative in response to that statement.

19 MR. McKEEVER: We are happy to adopt the procedure  
20 that the Chair suggests, Mr. Chairman.

21 CHAIRMAN GLEIMAN: I heard all the heads shaking  
22 in affirmative on that one.

23 BY MR. HOLLIES:

24 Q Okay. What I just asked for is what the first  
25 table in Interrogatory PSA/UPS-ST-1 requests, and I am now

1 going to move to Table 2. That asks for the number of  
2 records, the number of pieces and total revenue in a three  
3 by three matrix with nonsensical and not-detected by revenue  
4 tolerance tests, that is the first category. The second is  
5 total, and the third is percentage, nonsensical and not  
6 detected by revenue tolerance tests.

7 A I don't have those numbers available to me.  
8 Subject to counsel's approval, we can provide that  
9 information.

10 MR. HOLLIES: Well, I believe we have got that  
11 unless there is an objection lodged at this point, so thank  
12 you.

13 CHAIRMAN GLEIMAN: I don't expect even to hear any  
14 objections on this laundry list. Really, you have made an  
15 offer, Mr. McKeever took you up on the offer to find some  
16 way to make this less onerous, and I am going to assume, you  
17 know, again, that unless it is really outrageous, you just  
18 keep running your list and we will let it be worked out  
19 later on.

20 MR. McKEEVER: Mr. Chairman, with a little bit of  
21 trepidation, I do have a suggestion. If Mr. Hollies is now  
22 going down the list of PSA interrogatories, I would be happy  
23 to have those interrogatories inserted in the transcript as  
24 if they were questions from Mr. Hollies, so that he doesn't  
25 have to read them all now, if that would expedite things.

1           CHAIRMAN GLEIMAN: I don't know what Mr. Hollies'  
2 list looks like, but --

3           MR. MCKEEVER: I don't know if he has any other  
4 questions, I guess. If he has other questions on cross,  
5 then we would have to deal with that.

6           CHAIRMAN GLEIMAN: This would be akin to  
7 designated written cross without the answers, which is fine  
8 by me, too, at this stage of the game.

9           Is that, in effect, what you are doing, Mr.  
10 Hollies? And would that save your voice a bit today?

11          MR. HOLLIES: I think that would be an expedient  
12 way to proceed with respect to the interrogatory set. I  
13 guess I would like to hear from Mr. May whether he thinks  
14 that is an appropriate way to proceed.

15          MR. MAY: Well, we are going to -- I assume we are  
16 going to get the answers, and so I have no -- if it will  
17 short circuit the process of having to read all of them. I  
18 have two interrogatories. I don't know whether Mr. Hollies  
19 wants both of them in the record.

20          MR. HOLLIES: I do.

21          MR. MAY: Okay.

22          CHAIRMAN GLEIMAN: Let's, if we can scare up a  
23 copy of the interrogatories, which we will do in short  
24 order, I will make sure that someone gets us two copies of  
25 the interrogatories that were filed yesterday. And when

1 they reach my hand, I will get them inserted into the  
2 record.

3 MR. MAY: I have one. Mr. Chairman, here is one.

4 CHAIRMAN GLEIMAN: Such cooperation.

5 MR. HOLLIES: I believe we will have the other  
6 shortly.

7 CHAIRMAN GLEIMAN: Well, someone on the staff went  
8 out to make a copy, too. So I think we can just continue on  
9 with the understanding that those interrogatories are going  
10 to be inserted and then -- we are going to do it right now.  
11 We are going to give the court reporter a copy. Thank you,  
12 Mr. May. And we will provide that second copy to the court  
13 reporter when they arrive, but they will go in in the same  
14 exact spot as we are at now in the record.

15 They will be transcribed into the record, and one  
16 of these days we will get responses in one form or another,  
17 hopefully, by the 28th. And at that point, there will be  
18 some determination as to how much of it is going to wind up  
19 -- how much of the response material is going to wind up in  
20 the record as a result of designation.

21 [PSA/UPS-ST-1 and PSA/UPS-ST-2,  
22 Parcel Shippers Association (PSA)  
23 First Interrogatories to the United  
24 Parcel Service Supplemental Witness  
25 Sellick, UPS-ST-1, were transcribed

into the record.]

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

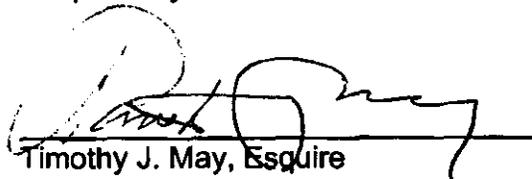
POSTAL RATE AND FEE CHANGES, 2000

DOCKET NO. R2000-1

**PARCEL SHIPPERS ASSOCIATION (PSA)  
FIRST INTERROGATORIES TO THE UNITED PARCEL SERVICE  
SUPPLEMENTAL WITNESS SELICK (UPS-ST-1)**

The Parcel Shippers Association (PSA) requests United Parcel Service to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,



Timothy J. May, Esquire  
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Counsel for Parcel Shippers Association

Dated: August 21, 2000

**FIRST INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION  
TO UNITED PARCEL SERVICE SUPPLEMENTAL WITNESS SELLICK**

**PSA/UPS-ST-1**

Please refer to page 5 of your Supplemental Testimony where you state: "More nonsensical records have been identified in the disaggregated data than were revealed by an analysis of the aggregated data. Only 73 of 555 records which failed the Postal Service's very broad 'revenue tolerance' test when applied to the disaggregated data could be detected at the aggregated level." Please complete the attached Tables 1 and 2 using data from USPS-LR-I-401.

**Table 1. Nonsensical Records and Total Records From Permit Imprint Parcel Post Data Extract**

		<b>Number of Records</b>	<b>Number of Pieces</b>	<b>Total Revenue</b>
Nonsensical	[1]	555		
Total	[2]			
Percentage Nonsensical	[3]=[1]/[2]			

**Table 2. Nonsensical and Not Detected by Revenue Tolerance Test Records and Total Records From Extract**

		<b>Number of Records</b>	<b>Number of Pieces</b>	<b>Total Revenue</b>
Nonsensical and Not Detected by Revenue Tolerance Test	[4]	482		
Total	[5]			
Percentage Nonsensical and Not Detected by Revenue Tolerance Test	[6]=[4]/[5]			

**PSA/UPS-ST-2**

Please confirm the following statements. If you are unable to confirm, please supply an explanation.

**FIRST INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION  
TO UNITED PARCEL SERVICE SUPPLEMENTAL WITNESS SELICK**

(a) Please confirm that Parcel Post single-piece mail would generally be counted in DRPW, not BRPW, because BRPW only counts permit imprint pieces.

(b) Please confirm that the Standard (A) Single-Piece subclass was eliminated with the implementation of Docket No. R97-1 rates.

(c) Please confirm that after the implementation of Docket No. R97-1 rates, no Standard (A) rate was higher than any Parcel Post rate. Ratefold (Notice 123).

*[Highest Standard (A) Mail rate is one-pound Basic, Nonautomation, No Destination Entry nonletter. This rate is 84.1 cents (16.4 cents + 67.7 cents). Lowest Parcel Post rate is \$1.21 for 2-pound, DDU parcel.]*

(d) Please confirm that after the implementation of Docket No. R97-1 rates, Standard (A) Mail could not be mailed at Parcel Post rates because Parcel Post rates are higher than Standard (A) rates. DMM 54 Section E612.4.6.

(e) Please confirm that before the implementation of Docket No. R97-1 rates, no bulk Standard (A) rate was higher than any Parcel Post rate. DMM 52 Section R600.

*[Highest bulk Standard (A) rate was 84.3 cents (16.6 cents + 67.7 cents) for one-pound Basic, Nonautomation, No Destination Entry nonletter. Lowest Parcel Post rate was \$2.10 for 2-pound, DBMC Zone 1&2 parcel.]*

(f) Please confirm that in GFY 1999 there were only 42 million pieces of Standard (A) Single-Piece mail. (GFY 1999 RPW Report)

(g) Please confirm that the average revenue per piece in GFY 1999 for Standard (A) Single-Piece mail was approximately 81 cents. (GFY 1999 RPW Report)

(h) Please confirm that the lowest pre-R97-1 inter-BMC rate for a Standard (B) Parcel Post parcel was \$2.63. DMM 52 Section R600.6.1.

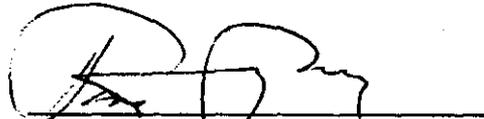
**FIRST INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION  
TO UNITED PARCEL SERVICE SUPPLEMENTAL WITNESS SELICK**

(i) Please confirm that the lowest pre-R97-1 intra-BMC rate for a Standard (B) Parcel Post parcel was \$2.24. DMM 52 Section R600.6.3.

(j) Please confirm that the average revenue per piece for Standard (A) Single-Piece mail in GFY 1999 was less than half of the lowest pre-R97-1 implementation Parcel Post single-piece rate.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the Postal Service by hand and by First-Class Mail upon all participants in this proceeding requesting such service.



Timothy J. May

Dated: August 21, 2000

1 CHAIRMAN GLEIMAN: I don't know how much shorter  
2 the is list is now, but --

3 MR. HOLLIES: We are back to my original list, and  
4 I do have a couple of more questions.

5 BY MR. HOLLIES:

6 Q Looking at the top of page of your supplemental  
7 testimony, you restate your conclusion that the BRPW data  
8 are not suitable for reliance in this proceeding, is that  
9 correct?

10 A Yes, it is.

11 Q With respect to the revenue estimates, if we  
12 assume the difference between Library Reference 401 and 194  
13 is less than \$1,000, as you indicated previously, do you  
14 have an idea of what percentage that works out to be?

15 A It would be a very small percentage. Just, I  
16 should note, my statement at the top of page 6 is not  
17 premised solely on the lack of reconciliation as between  
18 Library References 194, the aggregated data, and Library  
19 Reference 401, the disaggregated data. It is a small  
20 percentage difference as between those two with respect to  
21 revenue.

22 Q Perhaps on the order of 2 times 10 to the minus  
23 5th?

24 A A very small percentage, yes. No question about  
25 that.

1           Q     With respect to the revenue estimates themselves,  
2 your conclusion that the BRPW data are "nonsensical" is  
3 based on this margin of difference, at least in significant  
4 respect, is that correct?

5           A     In one respect, and it is not -- it is also the  
6 concerns I have raised with respect the issues in the audit  
7 reports, the question about whether the Standard A pieces  
8 are being counted and recorded as Standard B Parcel Post,  
9 and all the other reasons, or many of the other reasons  
10 anyway, that I raise in my testimony.

11                   The reconciliation of the disaggregated data to  
12 the aggregated data is a -- I mean it is -- we have not  
13 found many differences with respect to revenue and weight --  
14 excuse me, revenue and pieces. I am not -- I haven't  
15 asserted otherwise. But it is a very preliminary first step  
16 as to determining what is going on. I mean one would expect  
17 that the parts sum to the total, and, as I have said, I have  
18 not found that to be significantly different except with  
19 respect to weight. But that is not the primary premise that  
20 my conclusion is based on.

21           Q     So if I were to take you through a similar  
22 sequence of questions with respect to volume rather than  
23 revenue, you would give me a very parallel answer, is that  
24 correct?

25           A     Yes, I would.

1 MR. HOLLIES: Okay. Then we shan't do that.

2 BY MR. HOLLIES:

3 Q Beginning at page 9 of your supplemental  
4 testimony, you begin a discussion that involves the interim  
5 adjustment factor of approximately 1.009; is that right?

6 A Yes, I do.

7 Q Have you familiarized yourself with how the 1.009  
8 factor was developed?

9 A To some extent, yes.

10 Q The Postal Service provided information regarding  
11 this; did it not?

12 A The Postal Service, in Library Reference 403, did  
13 provide the data, and, I think, more of a methodology  
14 description that explains how that factor was derived, yes.

15 Q It was an attempt to allow for the possibility  
16 that non-automated offices that previously had no permit  
17 imprint Parcel Post, had actually developed some such volume  
18 over time; is that right?

19 A I'm not sure that's exactly how I would  
20 characterize it, but it was to account for non-automated  
21 offices in the development of permit imprint Parcel Post  
22 estimates through the BRPW system.

23 Q Could you recast my characterization in a way  
24 that's more -- that you're more comfortable with?

25 A Just that it is an attempt to increase the

1 automated office numbers for revenue, pieces, and weight,  
2 from the PERMIT system to account for any permit imprint  
3 Parcel Post that might be presented at non-automated  
4 offices.

5 Q So it's your position that the specific intent was  
6 to increase the measures, right?

7 A Unless the non-automated offices could account for  
8 negative volume, it would almost, by design, have to be the  
9 result.

10 Q The materials do indicate that it was a census of  
11 the non-PERMIT System offices; is that right?

12 It was a census of the non-PERMIT offices, showing  
13 -- I'm sorry. That's the question and I want to leave it  
14 right there.

15 Is it not the case that the study was a census of  
16 the non-PERMIT System offices?

17 I just want to make reference to something, if I  
18 may. Just a moment, please.

19 [Pause.]

20 MR. McKEEVER: My difficulty here is that the  
21 Postal Service provided numbers from the survey and provided  
22 a methodology, but never really provided the survey.

23 It objected to doing so, and some of the questions  
24 that Mr. Hollies seems to be embarking upon, presume that  
25 it's given us the whole survey that we requested.

1           Now, if Mr. Sellick is able to answer them, fine.  
2           But I think it's odd for the Postal Service to ask some  
3           questions about a survey when it refused to give us much of  
4           the information relating to that survey, other than the  
5           results and a general description of the methodology.

6           CHAIRMAN GLEIMAN: Great argument for brief, and I  
7           look forward to hearing it again.

8           [Laughter.]

9           THE WITNESS: As described in Library Reference  
10          LRI-403, the study is described as a census survey, in part,  
11          anyway, a census survey of non-automated offices reporting  
12          trial balance revenues in AIC-132, which includes permit  
13          imprint Parcel Post, or included permit imprint Parcel Post,  
14          for the May to August 1997 period.

15          BY MR. HOLLIES:

16          Q       And it found 43 offices with non-zero volume; is  
17          that correct?

18          A       I believe it says 42 non-automated offices with  
19          non-zero -- with non-zero permit imprint Parcel Post volume,  
20          but that's not a significant difference.

21          Q       Thank you. Maybe I made a mistake here.

22                   That census was conducted with respect to a single  
23          Postal Quarter; is that right?

24          A       Yes, I believe it was PQ-2, 1997.

25          Q       How does that make the 1.009 an annualized factor?

1           A     It was -- although it was -- the study itself was  
2 based on PQ-2 1997 data, it was designed to be applied to a  
3 full year's, and, in fact, has been applied to each  
4 quarter's data until the development of the unique trial  
5 balance account adjustment factor.

6           So it is -- at least conceptually, it had to have  
7 been thought of as appropriate to apply across all the  
8 quarters in a year over those quarters in a year, even  
9 though it was actually based on data from PQ-2 1997.

10           Otherwise, its application in 1998 would be  
11 flawed, conceptually.

12           Q     I can appreciate that it was, indeed, applied to  
13 more than one quarter, but what about its design indicated  
14 to you that it was intended for use as an annualized, rather  
15 than a quarter-based factor?

16           A     Its application indicated to me that it was, while  
17 premised on a quarterly calculation, was, in concept,  
18 designed to be applied to a full year's worth of quarters of  
19 data, and, therefore, needs to be representative or thought  
20 to be representative of the full year's worth of data, even  
21 if it could theoretically fluctuate, as many of the unique  
22 trial balance account factors do fluctuate below one, above  
23 one, from quarter to quarter.

24           Q     The 1.009 factor therefore represents the ratio of  
25 the sum of the census from PERMIT System offices and these

1 non-zero, non-automated offices over just the PERMIT System  
2 offices alone; is that correct?

3 A Yes, I believe that's correct.

4 Q Can you identify a single postal facility in which  
5 permit imprint Parcel Post is entered, aside from the  
6 approximately one-third of PERMIT System offices and the 43  
7 or 42 identified in the census that led to the use of the  
8 1.009 factor?

9 MR. MCKEEVER: Mr. Chairman, Mr. Hollies went  
10 pretty fast with that one. May I ask that it be repeated?

11 MR. HOLLIES: Mr. Chairman, if the witness  
12 understands it --

13 CHAIRMAN GLEIMAN: No, as a matter of fact, Mr.  
14 Hollies, let's just get along with it. The counsel has a  
15 right to understand the question that's being put to his  
16 witness, so just do it over again, and do it a little  
17 slower.

18 MR. HOLLIES: Let me see if I can redo it.

19 BY MR. HOLLIES:

20 Q Okay, can you identify a single postal facility in  
21 which permit imprint Parcel Post is entered, aside from the  
22 PERMIT System offices and those identified in the Library  
23 Reference 403 census?

24 A I haven't attempted to do so, and I'm not aware of  
25 any offices that -- I think essentially -- correct me if I'm

1 wrong -- you're asking if any of the zero -- offices that  
2 responded with zero as a result of the study, might have  
3 non-zero now.

4 Q That's conceptually related. I was asking if you  
5 were actually aware of any such?

6 A I'm not aware of any.

7 Q That's all I'm asking, thank you.

8 On page 4 of your supplemental testimony, you  
9 define -- excuse me -- you identify Library Reference 401  
10 as, quote, "an extract," unquote; is that right?

11 A Yes, I do.

12 Q In what sense do you understand it to be an  
13 extract?

14 A Well, first, I used that term because it is  
15 literally on the cover page of Library Reference 401. It is  
16 an extract -- my understanding is -- and this is also based,  
17 in part, on, I think, some informal elaboration from the  
18 Postal Service.

19 It is an extract in several senses: First, in the  
20 sense that it is only information with respect to postage  
21 statements that include permit imprint Parcel Post data.

22 And it is also, my recollection is, when we posed  
23 the question, the answer from the Postal Service could lead  
24 one to infer, or may, in fact, have been intended to imply  
25 that there may have been additional information on the

1 postage statements that we were given information for that  
2 might not be permit imprint Parcel Post that was not  
3 provided.

4 That wasn't particularly clear, but it's certainly  
5 clear that it's an extract in the sense that it is only for  
6 postage statements which include permit imprint Parcel Post.

7 Q Thank you. We have a shared understanding there.

8 Late yesterday afternoon, Mr. Sellick, your  
9 counsel faxed to me, the change to your testimony.

10 That change is reflected in the copies given to  
11 the Court Reporter earlier. The original of the changed  
12 sentence referred to, quote, "only 73 of 555 records which  
13 failed the Postal Service's very broad revenue tolerance  
14 test when applied to the disaggregated data could be  
15 detected at the aggregated level," unquote.

16 I think I've said that correctly; is that correct?

17 A I believe that's correct, yes.

18 Q Okay. And the revised version changes the  
19 numbers; that is, 73 of 555, to 63 of 545 VIP-level records;  
20 is that right?

21 A That's correct.

22 Q Now, I understand that your revision may be  
23 responsive, at least in part, to an informal discussion that  
24 took place among counsel, and your update reflects a focus  
25 upon VIP-level records, rather than postage statement

1 records; is that right?

2 A I made it explicit in the paragraph in question.  
3 I think, by definition, the revenue tolerance test can only  
4 be applied to VIP-level information, so it was implicit  
5 before, but given the question that was raised by the Postal  
6 Service, I thought it wiser to make that explicit to avoid  
7 any confusion.

8 Q Your counsel also provided to the Postal Service  
9 late yesterday a spreadsheet identifying those records in  
10 response to our request. Are you aware that the total  
11 record count reflected there is 546 by our count?

12 A I understood it to be 545, unless you are counting  
13 the header row, but I am not -- I don't have that here in  
14 front of me.

15 Q Okay. Well, in any event, 545 is a lot closer to  
16 546 than 43 was to 42 per our previous discussion, so. Why  
17 did the numbers 73 and 555 get reduced by 10?

18 A We had to -- in order to calculate this  
19 information, it was necessary to run the data through some  
20 SAS programs that we had developed to make these tests,  
21 because it was necessary to calculate the revenue tolerance  
22 tests as such, as well as to cross-reference it with the  
23 e-flags and the aggregated data. So it was a combination of  
24 processing and we just had a slight programming error which  
25 miscounted the number of records in question.

1 Q Are you aware that all 545 or 546 records fall in  
2 APs 1 through 4? APs as in accounting periods.

3 A Subject to check, I will accept that.

4 Q Were you aware of that before I just asked the  
5 question?

6 A I hadn't focused on that specifically, no.

7 Q If we assume that is correct, which I do believe  
8 it is, does that suggest to you a pattern in the errors?

9 A Possibly, although we did specifically screen out,  
10 or tested to make sure there weren't any correction records  
11 that would subsequently revise or correct the observations  
12 in question, so I attempted to control for that with the  
13 data that I had available.

14 Q Okay. Well, if we assume that they are all in the  
15 first four APs of the year, does that perhaps open up a  
16 question about whether or not there was some issue which was  
17 subsequently resolved, therefore, meaning there were no more  
18 such errors?

19 A I guess first I would point out that the revenue  
20 tolerance check itself, which is what we are discussing  
21 here, is only a very, very broad check. For it to be  
22 flagged as failing the revenue tolerance test, it has to be  
23 a pretty egregious deviation, because the revenue tolerance  
24 test only compares the revenue for the lowest possible  
25 weight and the highest possible weight from a particular

1 rate category and zone. So any conclusions with respect to  
2 the failures in the data, based on the revenue tolerance  
3 check, are again just a starting point.

4 I haven't examined the question as to whether the  
5 fact that they are in the first few accounting periods would  
6 suggest something to that effect.

7 Q Well, assuming you were the one trying to chase  
8 down the source of this, would the fact that they all  
9 cluster in the first four APs be something worth following  
10 up on?

11 A Certainly, it is something I would look into.  
12 Absolutely.

13 Q It might suggest that there was a straightforward  
14 answer to the question, perhaps? One might hope, <sup>if you see</sup> ~~it are~~ the  
15 one tasked with finding the problem, that there was a  
16 straightforward answer, is that right?

17 A If I were tasked with finding the problem, I would  
18 certainly hope that. I don't know that that is the case.  
19 It could be -- it also could be that there is some kind of  
20 systematic problem with the first accounting periods.

21 Q But it might be a useful clue?

22 A Certainly, it would be something to look at.

23 Q Just a technical question, to clarify the record.  
24 Your testimony refers, for example, at the top of page 7, I  
25 think, to the words, quote, "Permit System," there on line

1 1, is that right?

2 A Yes.

3 Q And there you use initial caps, that is capital  
4 "P" in Permit and capital "S" in System, is that right?

5 A Yes, I do.

6 Q Do you have an understanding whether this  
7 reference is to the same system otherwise referred to by the  
8 Postal Service witnesses as PERMIT System, with PERMIT in  
9 all caps as well as System in initial caps?

10 A That is my intent. That is an oversight. The  
11 word "Permit" on the top of page 7 should be in all caps,  
12 yes.

13 Q And just to take one step further for the benefit  
14 of our court reporter, if we are talking about permit  
15 imprint, would that be capitalized?

16 A I believe the convention is that permit imprint  
17 mail would not be capitalized, neither permit or imprint.

18 Q Thank you. On page 10 of your testimony appears  
19 the statement, "The Postal Service's" -- let me do that  
20 again. On page 10 of your testimony appears the statement,  
21 quote, "The Postal Service's RPW results assume that BRPW  
22 provides accurate weight estimates by rate category and  
23 zone." end quote. Do you see that?

24 A Yes, I do.

25 Q What is the basis for your assertion?

1 A I am afraid I don't follow your question.

2 Q What is the basis for your assertion that the  
3 Postal Service's RPW results assume that BRPW provides  
4 accurate weight estimates by rate category and zone?

5 A Just one moment, I need to find something in my  
6 testimony.

7 [Pause.]

8 There is at least one interrogatory response from  
9 the Postal Service which describes the necessity of making  
10 reference to DRPW for permit imprint. It describes the  
11 necessity for making reference to the zone -- within-zone  
12 weight distributions by cell, distribution from DRPW because  
13 BRPW does not provide that information.

14 Implicit in that is the assumption that BRPW does  
15 provide correct weight information by rate category and  
16 zone. As the Postal Service has said, the only place they  
17 need to make reference to other data is within-zone.

18 That's what I was intending to convey by that  
19 statement.

20 Q On page 11 of your testimony, I think it's lines 8  
21 to 13, you point to average weight calculations in BRPW  
22 regarding non-uniform mailings; do you see that?

23 A For non-identical weight mailings, yes.

24 Q Do you have any understanding of why this  
25 calculation is performed?

1           A     I guess it's -- I'm sorry, in what sense, why?  
2     Not to be literal, but --

3           Q     Okay, how does the Postal Service make use of that  
4     information?

5           A     The Postal Service makes use of that information  
6     in order to calculate weight by VIP code.

7           Q     And what's done with that?

8           A     That information is then used in the billing  
9     determinants to -- after making reference to the DRPW  
10    distribution within-rate -- within VIP code for purposes of  
11    creating the billing determinants.

12                    That's my understanding, based on a response to an  
13    interrogatory to the Postal Service.

14           Q     Can you provide any citations to use of this  
15    information in materials presented by the Postal Service?

16           A     It would be -- it's used, I believe -- again,  
17    based on responses from the Postal Service. I believe it's  
18    used in the calculation of the billing determinants.

19                    I don't know what specific Library References that  
20    billing determinants are provided in. It's also provided in  
21    the BRPW information in LRI-194.

22           Q     It certainly is. I think the use of that  
23    information will be, again, the subject of briefs.

24                    Does the Postal Service use PERMIT System data to  
25    distribute weight to zone?

1           A       Certainly it does in the calculations in 194, and,  
2           again, based on responses from the Postal Service to  
3           interrogatories, it uses that for the purposes of billing  
4           determinant calculation as well.

5                   MR. HOLLIES: Thank you. I have no more questions  
6           at this time.

7                   CHAIRMAN GLEIMAN: Followup?

8                   [No response.]

9                   CHAIRMAN GLEIMAN: Questions from the Bench?

10                  [No response.]

11                  CHAIRMAN GLEIMAN: Would you like some time with  
12           your witness for redirect?

13                  MR. McKEEVER: I would appreciate that, Mr.  
14           Chairman.

15                  CHAIRMAN GLEIMAN: Ten minutes?

16                  MR. McKEEVER: That will be fine.

17                  [Recess.]

18                  CHAIRMAN GLEIMAN: Yes, sir?

19                  MR. McKEEVER: We have no redirect, Mr. Chairman.

20                  CHAIRMAN GLEIMAN: We appreciate that. I suspect  
21           we're going to be spending more than a few hours in here for  
22           the next couple of weeks, so anytime we can get off the  
23           hook, we appreciate it.

24                  That being the case, Mr. Sellick, that completes  
25           your testimony here today. We appreciate your appearance,

1 your contributions to the record. We thank you, and you're  
2 excused.

3 [Witness Sellick excused.]

4 Mr. McKeever, I just want to reiterate that you've  
5 got a long laundry list of homework assignments there that I  
6 guess you and Mr. Hollies are going to try and pare down to  
7 some reasonable size.

8 And also, despite the fact that the  
9 interrogatories have been placed into the record, we need to  
10 get responses to the interrogatories.

11 I guess, if there is going to be any paring with  
12 respect to those interrogatories, then Mr. May will have to  
13 be a part of whatever discussions you all have.

14 But in any event, gentleman, I would appreciate  
15 very much if you would keep an eye on the clock on this one,  
16 because as I said earlier, we are trying to have some sense  
17 of order in the record. And if at all possible, we would  
18 like to get that material back in here by the 28th.

19 So, just keep that in mind as you go on with your  
20 discussions.

21 That concludes today's hearing. We'll reconvene  
22 tomorrow, Wednesday, the 23rd of August at 9:30, to begin  
23 the rebuttal phase.

24 And we will hear from Witnesses Stralberg, Siwek,  
25 our good friend, Witness Patelunas, Witness Buc, Witnesses

1 Luciani, Cohen, Stralberg and Degan. So one only wonders -  
2 - I don't think we'll be getting out of here at 12:00 noon;  
3 perhaps the other 12:00, but I hope not.

4 In any event, you all have a great afternoon, and  
5 I appreciate your helping us out today.

6 [Whereupon, at 11:58 a.m., the hearing was  
7 recessed, to be reconvened on Wednesday, August 23, 2000, at  
8 9:30 a.m.]

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