

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

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Postal Rate and Fee Changes, 2000

Docket No. R2000-1

**NOTICE OF FILING OF ERRATA TO TESTIMONY OF
NEWSPAPER ASSOCIATION OF AMERICA
WITNESS CHRISTOPHER D. KENT
August 24, 2000**

The Newspaper Association of America hereby provides the following errata to the testimony of witness Christopher D. Kent. Replacement versions of the affected pages are attached.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

By:



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CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

August 24, 2000



William B. Baker

| Page | Line | Correction |
|-------------|-------------|---------------------------------------|
| 2 | 14 | Insert "offers" after the comma |
| 5 | Table 1 | Change "completetion" to "completion" |
| 6 | 17 | Change "83%" to "84%" |
| 11 | 13 | Change first "ES" to "worksampling" |

1 1986 Street Time Sampling ("STS") survey, which has been used to develop
2 time proportions for city carriers in postal rate cases since Docket No. R87-1.

3 In considering whether to replace an older study such as the STS with the
4 newer ES database, it seems to me that the most important question has yet to
5 be fully addressed in this proceeding. Specifically, is the ES study an
6 improvement from the current standard?

7 While the STS study lacks much of the underlying data that would enable
8 an all-inclusive critique, numerous comparisons to the ES study can shed light
9 on their inherent similarities. Where methodological differences exist between
10 the two studies, the ES study generally appears to be superior to the STS study.
11 Furthermore, criticisms that have been leveled against the ES study also appear
12 to apply to the STS study. To that end, I will demonstrate that the ES database
13 makes important improvements to the STS database with more current data that,
14 in my opinion, offers a more preferable basis for developing carrier costs.
15 Consequently, I believe that the ES data should be used by the Postal Rate
16 Commission in developing its estimates of the costs associated with street
17 carrier activities.

18 **II. Comparison of ES and STS Methodologies**

19 **A. Summary of the ES and STS studies**

20 USPS Witness Lloyd Raymond presented testimony regarding the
21 development of the carrier street activities based on data collected during the
22 Engineered Standards/Delivery Redesign project that extended from the fall of
23 1996 to the spring of 1998. From this database, Mr. Raymond extracted

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Table 1⁵
Comparison of ES and STS Studies

| | ES | STS |
|--------------------------|-----------------|-------------|
| Survey Start Date | Oct-96 | Jul-86 |
| Survey Completion Date | Apr-98 | Oct-86 |
| Surveyed Months | 15 | 3 |
| Recording Frequency | Every 6 Minutes | 3 Per Route |
| Recording Frequency /day | 46 | 3 |
| Tallies | 39,046 | 7,103 |
| Routes | 340 | 2,400 |
| Locations | 53 | 91 |
| Activity Combinations | 1,350 | 20 |

1. Survey Period

In this proceeding, the ES study has come under fire for its lack of route level distribution across the months of the year.⁶ Yet the STS survey was conducted over a much more limited time frame, from July – October 1986, and contains significantly less diversity over the months and seasons. The three-month period in which the STS sample was completed provides little seasonal and monthly differentiation. The ES study extended over an eighteen-month period, from fall 1996 to spring 1998. Specifically, while 44% of the ES routes occur during a 3-month period, 100% of the STS routes were sampled during a 3-month time frame. Even witness Crowder stated in her cross examination that

⁵ Raymond Direct Testimony at 3, 7 and 14; Hume Direct Testimony, USPS T-7, Docket R87-1 at 12, USPS-7B page 2 and 9, USPS-7B Figure B-5 and Figure B-6. The 53 ES locations, detailed in LR-I-159, may be reduced to 39 if one condenses multiple CY codes for commonality in the first 3 digits of zip codes.

⁶ Specifically, the large percentage of routes sampled during the months of October – December See Crowder at 28.

1 she would "want a survey that was representative of the year."⁷ The ES study
2 therefore has a much better time differentiation than the STS study.

3 As Table 1 indicates, the ES database contains many more tallies than
4 the STS study, with approximately 39,000 and 7,100 tallies attributable to the ES
5 and STS databases, respectively. Furthermore, this disparity is even larger
6 when the 1,100 STS records that were dropped from the STS database because
7 of "missed" or "no-call lunch" are eliminated from the total STS tallies. Ultimately,
8 the STS study drops 15% of the tallies, while the ES database only dropped 4%
9 that were personal, break or lunch observations.⁸

10 The STS database does contain more routes than the ES study. While in
11 isolation this is in its favor, on balance it is not enough to make the STS
12 preferable to the much more current and much larger ES database.
13 Furthermore, the STS database lacks route diversity, an area where some
14 intervenors have criticized the ES study.⁹ Specifically, 5,321 out of the 7,100
15 STS tallies, or nearly 75%, fall within two of the eight route types (residential curb
16 and mixed curb) which today comprise only 33 percent of all city routes.¹⁰ By
17 comparison, 84% of the ES routes fall into two route types (residential loop and
18 residential curb) that comprise 81% of the total USPS system routes today.

⁷ Cross Examination of Ms. Crowder at 16326.

⁸ See Baron SAS log file in USPS LR-I-159 Line 157 and the note immediately following line 173.

⁹ See Crowder at 29.

¹⁰ Hume Direct Testimony, Docket No. R87-1, USPS-7B at 13. Witness Baron lists the current number of city routes by route types in his response to MPA/USPS-T12-6.

1 sample of carrier activities that was surveyed over a longer period of time (1996,
2 1997 and 1998) than the 1986 STS study.

3 Professor Hay specifically comments on the use of ES data for
4 ratemaking in his testimony. While he understands the importance of ES studies
5 to determine time and motion aspects of route performance, he believes the data
6 acquisition methods applied in the ES study are quite different from those used
7 for, and often inappropriate for, ratemaking purposes. ¹⁶

8 As mentioned earlier, my firm manages data very similar to the ES data in
9 ratemaking and rate reasonableness proceedings. In fact, it is reasonable to say
10 that we routinely receive this type of data collected by Mr. Raymond's group and
11 submit it to regulatory agencies such as the Federal Communications
12 Commission and the Surface Transportation Board, which ultimately rely upon
13 such cost data for ratemaking. In my opinion, the work sampling data compiled
14 by the ES study is more than sufficient for ratemaking purposes.

15 **IV. Conclusion**

16 Based upon my experience and the evidence in hand, the ES data is a
17 reasonable and much more current source to use for ratemaking purposes than
18 the STS data. As discussed before, the STS study itself was largely accepted
19 because it was a more current and larger sample of carrier activities, and
20 overcame various shortcomings of the previous "old" street carrier cost data.
21 The methodological design, the number of tally observations, recording

¹⁶ Hay Direct Testimony at 4-5.