

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

EXPERIMENTAL PRESORTED PRIORITY
MAIL RATE CATEGORIES, 2001

Docket No. MC2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS LEVINE TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T2-1, 3 AND 4)

The United States Postal Service hereby provides the responses of witness Levine to the following interrogatories of the Office of the Consumer Advocate:

OCA/USPS-T2-1, 3, and 4, filed on March 23, 2001.

Each interrogatory is stated verbatim and is followed by the response.

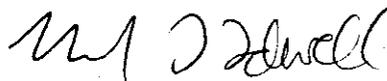
The following interrogatory has been redirected to the Postal Service for response.
OCA/USPS-T2-2.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Rate-making



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April 2, 2001

Response of Postal Service Witness Jonathan D. Levine to
Interrogatories of the Office of the Consumer Advocate

OCA/USPS-T2-1.

Please refer to your testimony at page 2, lines 4-6, where you indicate that your analysis does not include other functions such as transportation and delivery. Is there any reason to believe that the costs for transportation and delivery will be different for mail eligible for the proposed Priority Mail presort discount? Are there any studies on this subject? Please provide all information, including any studies.

Response:

As indicated, the scope of my analysis is the impact of the discount on mail processing costs. I did not study in detail the impact on transportation and delivery. It is reasonable to expect that transportation and delivery costs will be the same for presorted mail as for other mail. As witness Scherer states in his testimony (USPS-T-1, page 10, lines 6-11), it is possible that changes in containerization could theoretically impact the cost of transporting this mail, but it is not possible to estimate the cost impact because we do not know in advance which customers will use the product, how containerization will change, or if those changes will have a real impact on the transportation network. I am not aware of any studies on the subject.

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OCA/USPS-T2-3.

Please refer to Attachment A at page 8, line 23, where it states that there are two phases to the data collection plan.

- a. Please identify what data or other information will be gathered during Phase I.
- b. During Phase I, what procedures are in place to assure that the data collected are statistically accurate? What hypotheses will be tested? Please discuss.
- c. During Phase I, will a written document or other analysis be prepared assessing any preliminary problems with the proposed presort discounts and determining the feasibility of allowing more mailers into the experiment? If such a document or analysis is prepared, will the Postal Service share it with the Commission at the conclusion of Phase I?
- d. During Phase II, what procedures are in place to assure that any data collected are statistically accurate? What hypotheses will be tested? Please discuss.

Response:

- a. The information collected during Phase I will be primarily qualitative. The Postal Service will communicate with mailers participating in the experiment and plants that handle the presorted mail. Surveys (written or phone) will determine how the plants handle the mail and which operations are in fact avoided, and will determine if any new operations are created. It is anticipated that the surveys will also document any unforeseen problems with the experiment. Site visits also may be utilized. Mailer information will be collected to identify volume flows and mail characteristics that will be useful in planning Phase II of the experiment.
- b. As the information collected in Phase 1 is primarily qualitative, the Postal Service does not expect to perform any hypothesis testing or statistical

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analysis on the results. The Postal Service expects to ensure, however, that the information collected accurately represents the mailers and sites included in the experiment. This will be possible due to the limited size of the experiment (around ten mailers). Surveys will be designed to represent all sites affected by presorted mail at origin and include a representative number of sites to determine the impact of presorted mail at destination. Sites representing the different mailflows in my cost model (USPS-T-2, page 5 line 19 through page 6 line 2) will be included in the survey.

- c. It is certainly possible that a document (or documents) assessing preliminary problems or determining the feasibility of allowing more mailers into the experiment might be created. It seems prudent to concede, at least hypothetically, that such a document could be shared with the Commission at the conclusion of Phase I. However, it seems that whether such a "sharing" takes place is a matter to be resolved between the parties and the Commission under applicable rules and procedures. The results of Phase I will primarily be used to design Phase II of the experiment and to determine the feasibility of expanding the experiment to include additional mailers. Therefore, any results will be part of the Phase II design.
- d. Because the specific nature of Phase II of the experiment has not been determined, the Postal Service has not decided what procedures will be put in place to ensure statistical accuracy. It is the Postal Service's intent to use

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appropriate methods of statistical analysis on data collected from existing cost systems, mailing statements, potential site visits, and communications with affected parties. It is also the Postal Service's intent to include information that generally reflects the impact on all sites affected by presorted mail. The Postal Service expects to include sites representing the different mailflows in my cost model (see USPS-T-2, page 5 line 19 through page 6 line 2) and the diversity of location and mail characteristics of the mailers included in the experiment.

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OCA/USPS-T2-4. Please refer to Attachment A, at pages 9 and 10, regarding a proposed market research study.

- a. Please confirm that the purpose of the proposed market research study is to develop estimates of elasticities of demand for each of the proposed presort discounts. If you do not confirm, please explain.
- b. Please confirm that the proposed market research study will develop quantitative data. If you do not confirm, please explain and describe in detail the qualitative information to be developed by the proposed market research study. If you do confirm, please identify and describe in detail the types of quantitative data to be collected.

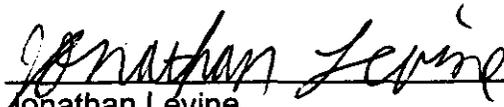
Please describe the hypotheses, if any, to be tested by the proposed market research study. Will statistically valid conclusions be drawn?

Response:

- a. It is my understanding that the purpose of the market research study is to estimate the expected amount of volume that would take advantage of the presort discount at various potential discount levels
- b. Confirmed. It is my understanding that the Postal Service intends to develop quantitative information from this study.
- c. As stated above, the purpose of the study is to estimate demand at various price points. It is the intent of the Postal Service to design and conduct the study so that the confidence in the demand estimate can be reasonably relied upon.

DECLARATION

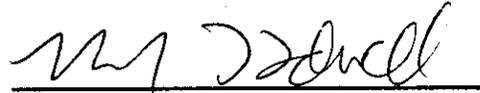
I, Jonathan Levine, hereby declare, under penalty of perjury, that the foregoing Postal Rate Commission Docket No. MC2000-1 interrogatory answers are true to the best of my information, knowledge and belief.


Jonathan Levine

April 2, 2001
Date

CERTIFICATE OF SERVICE

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

A handwritten signature in black ink, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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