

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK
TO INTERROGATORIES OF ASSOCIATION FOR POSTAL COMMERCE
PUBLISHERS OF AMERICA, INC.
(PostCom/USPS-T43-1-3)

The United States Postal Service hereby provides the response of witness
Schenk to the following interrogatories of Association for Postal Commerce:

PostCom/USPS-T43-1-3, filed on October 10, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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October 24, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

POSTCOM/USPS-T43-1. Please refer to LR58adj.xls, worksheet Table 6. Please provide a revision to this spreadsheet based only on the Standard Regular subclass.

RESPONSE:

Since the test year CRA data (USPS-T-12) do not break out Standard costs for Regular and Nonprofit mail, I am not able to provide a revision to worksheet Table 6 of LR58adj.xls that is based only on the Standard Regular subclass.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
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POSTCOM/USPS-T43-2. Please refer to LR58areg.xls, worksheet 3CREG Parcels (combined) and USPS-LR-I-92 from Docket No. R2000-1.

- (a) Please confirm that the parcel volume estimates on LR58areg.xls, worksheet 3CREG Parcels (combined) only include pieces that pay the residual shape surcharge. If not confirmed, please explain fully.
- (b) Please reproduce (in an electronic spreadsheet format) rows 3-6 of LR58areg.xls, worksheet 3CREG Parcels for Standard Regular parcels that are prepared as automation flats. Please identify the source of your data.
- (c) Please confirm that the source of Standard parcel volumes that you use in your analysis is Standard mailing statements. If not confirmed, please explain fully.
- (d) Please confirm that the source of Standard parcel mail processing costs is a combination of IOCS and MODS. If not confirmed, please explain fully.
- (e) Please confirm that LR58areg.xls, 3CREG Parcels (combined) includes Standard Regular and Standard Nonprofit parcels. If confirmed, please provide a version of LR58areg.xls, 3CREG Parcels (combined) individually for Standard Regular parcels and Standard Nonprofit parcels.
- (f) Please confirm that the Test Year unit cost for 3 to 5 ounce parcels estimated in LR58areg.xls is \$2.685. If not confirmed, please explain fully.
- (g) Please confirm that the Test Year unit cost for 3 to 5 ounce parcels estimated in Docket No. R2000-1, USPS-LR-I-92 was \$1.330. If not confirmed, please explain fully.
- (h) Has the Postal Service or any of its contractors performed any analysis to determine why the cost for 3 to 5 ounce parcels estimated

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

in this case is so much higher than estimated in Docket No. R2000-1.
If so, please provide a copy of each analysis.

- (i) Please describe any significant changes in the costing methodologies that the Postal Service used to estimate the unit cost for Standard Regular parcels by weight increment and estimate the impact that each significant change would have on the unit cost for 3 to 5 ounce Standard Regular parcels.
- (j) Please confirm that the Test Year unit cost in LR59areg.xls for all Standard Regular parcels is \$1.025.
- (k) Has the Postal Service or any of its contractors performed any analysis to determine why the cost for 3 to 5 ounce parcels is so much higher than the subclass average for parcels? If so, please provide a copy of each analysis.
- (l) Please provide a detailed description of the characteristics (including dropship patterns, presort patterns, and content) of 3 to 5 ounce Standard Regular parcels.
- (m) What is the coefficient of variation on the Test Year mail processing cost estimate for Standard Regular parcels weighing between 3 and 5 ounces?
- (n) What is the coefficient of variation on Test Year total cost estimate for Standard Regular parcels weighing between 3 and 5 ounces?
- (o) Please provide documentation on how the In-Office Cost System (IOCS) defines a flat, an automation flat, a parcel, and an IPP.
- (p) Please provide documentation on how the Domestic Mail Manual defines a flat, an automation flat, a parcel, and an IPP.
- (q) Please provide documentation on how the Standard Regular mailing statement defines a flat, an automation flat, a parcel, and an IPP.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

- (r) Please provide documentation on how the Postal Service's Revenue, Pieces, and Weight system for Standard Mail defines a flat, an automation flat, a parcel, and an IPP.

RESPONSE:

- a. Confirmed.
- b. Since the volume and cost data are not available for parcels prepared as automation flats separate from all parcels, rows 3-6 of LR58AREG.xls worksheet 3CREG Parcels cannot be prepared as requested.
- c. Confirmed (see USPS-LR-J-112).
- d. Confirmed. The Standard parcel mail processing costs are estimated using the Postal Service's proposed cost distribution methodology (USPS-T-13), which uses IOCS tallies and some cost pool variabilities estimated from MODS data (USPS-T-14).
- e. Confirmed. A version of LR58AREG.xls, 3CREG Parcels (combined) cannot be individually provided for Standard Regular parcels and Standard Nonprofit parcels because the test year CRA data (USPS-T-12) do not break out the Standard costs for Commercial and Nonprofit parcels.
- f. Confirmed.
- g. Not confirmed. The Test Year unit costs for 3 to 5 ounce Commercial Standard parcels estimated in Docket No. R2000-1, USPS-LR-I-92 was \$1.330. The Test Year unit costs for 3 to 5 ounce Standard Nonprofit parcels was \$1.697. Therefore the Test Year unit costs for all 3 to 5 ounce Standard parcels estimated in USPS-LR-I-92/R2000-1 was \$1.358.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

RESPONSE CONTINUED:

h. No formal analysis has been performed to determine why the cost for 3 to 5 ounce parcels estimated in USPS-LR-J-58 in this case is higher than that estimated in USPS-LR-I-92/R2000-1.

i. There were no significant differences in the costing methodologies that the Postal Service used in USPS-LR-I-92/R2000-1 and USPS-LR-J-58/R2001-1 to estimate the unit cost for Standard Regular parcels by weight increment, other than the fact that in USPS-LR-I-92 the unit costs for Standard Regular Commercial and Nonprofit parcels was estimated separately, and in USPS-LR-J-58 the unit cost reported for Standard Regular parcels includes both Commercial and Nonprofit parcels.

j. Confirmed, given that the source of the Test Year unit cost of \$1.025 for all Standard parcels is LR58AREG.xls, not LR59areg.xls.

k. No formal analysis has been performed to determine why the cost for 3 to 5 ounce parcels estimated in USPS-LR-J-58 in this case is higher than that estimated for the subclass average for parcels.

l. The Postal Service does not collect data on the contents of Standard Regular parcels. Presort and dropship volumes for Standard Regular Parcels are presented in Attachment A.

m. Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Test Year mail processing cost estimates reported in USPS-LR-J-58.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

RESPONSE CONTINUED:

n. Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Test Year mail processing cost estimates reported in USPS-LR-J-58.

o. See instructions for Question 22 in USPS-LR-I-14/R2000-1 (Handbook F-45, In-Office Cost System, Field Operating Instructions).

p. Shape definitions can be found in section C050 and C820 of the Domestic Mail Manual.

q. The Standard Regular Mail postage statement (PS Form 3602) indicates that shape ("processing category") is based on the shape definitions defined in sections C050 and C820 of the Domestic Mail Manual.

r. All Standard Mail estimates in the Revenue, Pieces, and Weight Report derive from postage statement (also referred to as mailing statement) data. Therefore, the shape definitions in RPW are the same as given in my response to 2q above.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
POSTAL COMMERCE PUBLISHERS OF AMERICA, INC.**

POSTCOM/USPS-T-43-3. Please refer to LR58aECR.xls, worksheet 3CREG Parcels (combined).

- a. What is the coefficient of variation on the Test Year mail processing cost estimate for Standard ECR parcels?
- b. What is the coefficient of variation on the Test Year total cost estimate for Standard ECR parcels?
- c. Please describe the mail characteristics (in particular the contents of) Standard ECR parcels.

RESPONSE:

a. Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Test Year mail processing cost estimates reported in USPS-LR-J-58.

b. Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Test Year mail processing cost estimates reported in USPS-LR-J-58.

c. The Postal Service does not collect data on the contents of Standard ECR parcels. Presort and dropship characteristics are presented in Attachment B.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
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ATTACHMENT A TO POSTCOM/USPS-T43-1-3

Standard 3 to 5 Ounce Parcels By Presort Level and Entry Discount PFY 2000					
	<i>None</i>	<i>DBMC</i>	<i>DSCF</i>	<i>DDU</i>	<i>Total</i>
Basic Nonautomation	22,683,706	278,005	137,741	0	23,099,453
3/5 Nonautomation	15,311,036	416,446	2,075,739	0	17,803,221
ECR Basic	937,500	73,070	290,822	14,357	1,315,749
ECR High Density	3,496	0	98,077	37,222	138,795
ECR Saturation	21,563	15,667	77,919	77,257	192,407
STD Paid at First-Class Rates	622,538	0	0	0	622,538
Totals	39,579,838	783,189	2,680,299	128,836	43,172,162

Source: USPS-LR-J-112

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
SCHENK TO INTERROGATORIES OF ASSOCIATION FOR
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ATTACHMENT B TO POSTCOM/USPS-T43-1-3

Standard ECR Ounce Parcels By Presort Level and Entry Discount					
PFY 2000					
	None	DBMC	DSCF	DDU	Total
ECR Basic	13,459,920	80,726	703,417	139,173	14,383,237
ECR High Density	8,942	0	121,414	124,038	254,394
ECR Saturation	69,189	18,960	1,585,370	814,310	2,487,829
Total	13,538,051	99,686	2,410,201	1,077,521	17,125,460

Source: USPS-LR-J-112

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.


Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
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October 24, 2001