

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, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS LION TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T24-10-19)

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-10-19, filed on July 23, 1997.


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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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OCA/USPS-T24-10. Please refer to Table 1 from USPS-T-24, and Table 3 from USPS-T-4 in Docket No. MC96-3, below. Table X reflects the change in the number of post office boxes installed by box size and delivery group between Docket Nos. MC96-3 and R97-1.

Table 1. Number of Boxes Installed (Survey Data)						
Box Size	City-A	City-B	City-other	Noncity	Nondelivery	Total
1	35,535	58,079	4,211,964	3,564,918	976,251	8,846,747
2	1,987	16,525	2,030,453	1,544,572	357,141	3,950,678
3	1,162	5,899	719,650	409,758	89,322	1,225,791
4	118	1,154	170,699	35,142	7,807	214,920
5	51	747	40,705	6,674	3,985	52,162
Total	38,853	82,404	7,173,471	5,561,064	1,434,506	14,290,298

Source: Table 1,USPS-T-24, Docket No. R97-1.

Table 3 USPS T-4					
Number of Post Office Boxes Installed (Survey)					
	I-A	I-B	I-C	II	Total
1	35,535	55,529	4,071,571	4,684,112	8,846,747
2	1,987	15,428	1,964,539	1,968,724	3,950,678
3	1,162	5,531	700,489	518,609	1,225,791
4	118	1,064	167,433	46,305	214,920
5	51	739	40,228	11,144	52,162
Total	38,853	78,291	6,944,260	7,228,894	14,290,298

Source: Table 3,USPS T-4, Docket No. MC96-3

Table X					
Change in the Number of Boxes Installed By Size and Delivery Group					
Box Size	Change				Check Col. Net Change
	City-A	City-B	City-other	Noncity	
	[1]	[2]	[3]	[4]	[5]=[1]+[2]+[3]+[4]
1	0	2,550	140,393	-1,119,194	-976,251
2	0	1,097	65,914	-424,152	-357,141
3	0	368	19,161	-108,851	-89,322
4	0	90	3,266	-11,163	-7,807
5	0	8	477	-4,470	-3,985
TOTAL	0	4,113	229,211	-1,667,830	-1,434,506

- a. Please confirm that the data on number of boxes installed in Tables 1 and 3 were obtained from the Post Office Box Study described on pages 3-13 of your testimony from Docket No. MC96-3. If you do not confirm, please explain.
- b. Please confirm that the change in the number of post office boxes installed by box size and delivery group, as shown in Table X, is correct. If you do not confirm, please explain and provide correct figures.
- c. Please refer to Table X. Please explain the reasons for, and the assumptions underlying, the change in the number of post office boxes by delivery group.
- d. Please refer to Table X. Please explain the reasons for, and the assumptions underlying, the change in the number of post office boxes by box size.
- e. Please identify any new or additional information used to develop the number of post office boxes installed for the Delivery Group entitled "Non-Delivery" shown in Table X.

RESPONSE:

- (a) Confirmed.
- (b) Not confirmed. The subtraction is correct, but the result is meaningless for Groups other than City-A and City-B. The other delivery groups (City-other and Non-city) were defined differently for this proceeding. Specifically, as explained at line 23, page 1 of USPS-T-24, delivery groups are now defined in terms of finance number, whereas in Docket No. MC96-3 they were defined in terms of 5-digit ZIP Codes.

For Delivery Group City-B, which should be the same as former Delivery Group I-B, coding mistakes in Docket No. MC96-3 were discovered when we performed the analysis for this proceeding. For example, Philadelphia ZIP Codes that should have been coded 191xx were incorrectly coded as 091xx.

- (c) See (b).
- (d) See (b).
- (e) The nondelivery group was identified as finance numbers that, according to the Delivery Statistics File, contain no city routes, no rural routes, and no highway contract routes. See definitions at lines 19-24, page 1 of my testimony.

OCA/USPS-T24-11. Please refer to your testimony at page 7, Table 3.

- a. Please explain the wide disparity between the number of post office boxes installed for the City-A Delivery Group as recorded in the Delivery Statistics File in April 1997 (DSF 97) and as reported in the Post Office Box Study.
- b. Table 3 shows the City-A Delivery Group with an expansion factor of 2.69, and the Non-city Delivery Group with an expansion factor of 1.26. Please explain why the City-A Delivery Group should have an expansion factor more than two times the expansion factor of the Non-city Delivery Group.

RESPONSE:

- (a) The POB Survey is a sample, and the response rates for the City-A Delivery Group were relatively low. The sample is still a statistically large one and valid for the conclusions drawn.
- (b) The response rates from the survey were lower for the City-A Group than for the Non-City Delivery Group. In Docket No. MC96-3, a single expansion factor was used for all delivery groups. We believe that group-specific expansion factors produce more accurate estimates.

OCA/USPS-T24-12. Please refer to your testimony at page 5, Table 1, and page 7, lines 7-9. Please explain why you did not increase the number of boxes installed as shown in Table 1 by 1.2 percent to reflect the growth in the number of boxes installed between the two "DSF runs."

RESPONSE:

The suggested step was not taken because it would make no difference in the final result and the procedure would only add complexity. If boxes installed from the POB Survey were increased by 1.2 percent to account for growth in the interim, the expansion factors would be reduced by approximately the same percentage. However, we would also have to increase the boxes in use by the same 1.2 percent to account for growth and to maintain the critical assumption that usage rates remain constant over time. When the expansion factors are applied to estimate the total boxes in use the two changes would then cancel out.

In effect, we calculate usage rates from the POB Survey, and then apply those results directly to the DSF 97 results.

OCA/USPS-T24-13. Please refer to your testimony at page 6, and the excel file "Pobox97" and the sheet "Tables 1-3." Please show how the formulas

- (1) $\text{Boxes In Use (97)} = \text{Boxes In Use (Survey 95)} * \text{Boxes Installed (DSF 97)} / \text{Boxes Installed (Survey 95)}$.
- (2) $\text{Boxes In Use (97)} = \text{Boxes In Use (DSF 97)} * \text{Boxes In Use (Survey 95)} / \text{Boxes Installed (Survey 95)}$.

were used to estimate the Pre-MC96-3 boxes in use.

RESPONSE:

The basic assumption, as indicated in my response to OCA/USPS-T24-12, is that box usage ratios remain constant. The two formulas express this relationship in mathematical form, solving each for the one unknown – Boxes in Use (97). The two formulas are equivalent – either one can be used.

(Note: there is an error in the second formula as printed in the interrogatory: "Boxes In Use (DSF 97)" on the right-hand side of the equation should be "Boxes Installed (DSF 97)". I have answered the interrogatory as though it merely contains a typographical error, since this error does not appear on the spreadsheet in copy #2 of Library Reference H-188 and the DSF provides no information on boxes in use.)

The first form of the equation is used in sheet "Tables 1-3". The expansion factor is the ratio of Boxes Installed (DSF 97) to Boxes Installed (Survey 95), by delivery group. This ratio is multiplied by Boxes in Use (Survey 95) from Table 2 to estimate Boxes in Use (DSF 97) in Table 4.

The second form of the equation is expressed in words at the end of my response to interrogatory OCA/USPS-T24-12.

OCA/USPS-T24-14. Please refer to your testimony at page 6, lines 8-11.

Please confirm that the number of customers ineligible for box service were estimated in the Postal Service's response to POIR No. 4, Question 6, Docket No. MC96-3. If you do not confirm, please explain.

RESPONSE:

Confirmed, assuming that the question was intended to refer to page 8, lines 8-11. The testimony incorrectly refers to POIR No. 6, Question 4, rather than POIR No. 4, Question 6. An appropriate erratum will be filed.

OCA/USPS-T24-15. Please refer to your testimony at page 9, Table 5.

- (a) Please refer to columns two and three. Please explain the terms "Classified" and "Contract," and the origin and meaning of the corresponding percentages 94 and 6, respectively.
- (b) Please refer to the last column, which shows the percent of customers ineligible for carrier delivery by Delivery Group (i.e., type of carrier delivery office). Please confirm that the 1 percent of customers ineligible for city delivery service would equate to 72,964 ($0.01 * 7,296,367$ total boxes in Delivery Group 1C) boxes from Docket No. MC96-3. If you do not confirm, please explain and provide the correct figure. Please show all calculations used to derive the correct figure, and provide citations to all figures used.
- (c) Please refer to the last column, which shows the percent of customers ineligible for carrier delivery by Delivery Group (i.e., type of carrier delivery office). For the 2 percent of customers at "classified" non-city delivery offices, and the 90 percent of customers at "contract" non-city delivery offices, ineligible for carrier delivery service, please provide the number of boxes corresponding to the 2 and 90 percent from Docket No. MC96-3. Please show all calculations used and provide citations to all figures used.
- (d) Please refer to the last column, which shows the percent of customers ineligible for carrier delivery by Delivery Group (i.e., type of carrier delivery office). For the 30 percent of customers at nondelivery offices ineligible for any carrier delivery service, please provide the number of boxes corresponding to the 30 percent from Docket No. MC96-3. Please show all calculations used and provide citations to all figures used.

RESPONSE:

- (a) "Classified" refers to classified stations and branches of non-city delivery offices; in Docket No. MC96-3, this was former Group II. "Contract" refers to contract stations and branches of non-city delivery offices; in Docket No.

MC96-3, this was former Group III. The percentages of contract and classified boxes were estimated from data in Docket No. MC96-3 as follows:

<u>Group</u>	<u>No. Boxes</u>	<u>Source</u>
Classified	5,797,558	Table 4, USPS-T-4
Contract	338,510	LR-SSR-93, Item 3, page 3

The results were rounded to the nearest percent.

- (b) Not confirmed. As explained in my response to OCA/USPS-T24-10(b), City Delivery offices are not the same as former Delivery Group I-C. As shown in Table 6B (page 10) and calculated on sheet "Tables 4-6" of workbook "POBox97" in LR-H-188, the 1 percent of customers ineligible for city delivery service is estimated at 83,916 ($=.01 * 8,391,563$). The number of City-other boxes is 8,391,563 as shown in Table 4 of USPS-T-24, page 8.
- (c) As stated in my response to OCA/USPS-T24-10(b), it is not possible to compare the number of boxes in different delivery groups in Docket No. MC96-3 with those in the current docket, because the delivery groups have been defined differently in the two cases.
- (d) See (c).

OCA/USPS-T24-16. Please refer to LR-H-188 at page 1. Please explain the meaning of the existence of "records that had POB Survey data, but no DSF data."

RESPONSE:

This refers to the fact that, for some offices that responded to the POB Survey, there is no corresponding record in the DSF. These records were initially classified as "NA", and later included in the total for nondelivery offices. See my response to OCA/USPS-T24-17.

OCA/USPS-T24-17. Please refer to the table on page 6 of LR-H-188, concerning the number of boxes installed.

- (a) Please explain in detail what the figures represent in the row entitled "NA."
- (b) Please explain in detail your rationale for summing the rows entitled "Nondelivery" and "NA" to compute the row entitled "Total Nondelivery."

RESPONSE:

- (a) "NA" refers to those records that have 5-digit ZIP Codes that were not found in the DSF. The figures in the row labeled "NA" in the table on page 6 of LR-H-188 are the numbers of boxes installed by box size, as indicated in the POB Survey.
- (b) If a ZIP Code belonged to a finance number with any city, rural, or highway contract routes, it should appear in the DSF. Since these ZIP Codes did not so appear, we classified them as nondelivery offices.

OCA/USPS-T24-18. Please refer to the table on page 7 of LR-H-188, concerning the number of boxes in use.

- (a) Please explain in detail what the figures represent in the row entitled "NA."
- (b) Please explain in detail your rationale for summing the rows entitled "Nondelivery" and "NA" to compute the row entitled "Total Nondelivery."

RESPONSE:

- (a) "NA" refers to those records that have 5-digit ZIP Codes that were not found in the DSF. The figures in the row labeled "NA" in the table on page 6 of LR-H-188 are the numbers of boxes in use by box size, as indicated in the POB Survey.
- (b) If a ZIP Code belonged to a finance number with any city, rural, or highway contract routes, it should appear in the DSF. Since these ZIP Codes did not so appear, we classified them as nondelivery offices.

OCA/USPS-T24-19. Please refer to the table on page 7 of LR-H-188, concerning the number of boxes in use.

- (a) Please confirm that for the row entitled "NA" the total is 50,390. If you do not confirm, please explain.
- (b) Please confirm that for the row entitled "NA" the total should be 79,338. If you do not confirm, please explain.

RESPONSE:

- (a) - (b) There are two errors in the row labeled "NA" on page 7 of LR-H-188. The number in the column labeled "BOXRENT1" should be "46,031" instead of "46,013". The total in the right column is 79,338. The table is given correctly at the bottom of page 13, LR-H-188. An appropriate erratum will be filed.

DECLARATION

I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M. Lion

Dated: 8/7/97

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.

Kenneth N. Hollies
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