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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS NIETO TO INTERROGATORIES OF THE FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION REDIRECTED FROM WITNESS BRADLEY (FGFSA/USPS–T13–11, 17, 20, 25(B), 30(A)) AND FROM WITNESS HATFIELD (FGFSA/USPS-T16-12-15)

The United States Postal Service hereby provides responses of witness Nieto to the following interrogatories of the Florida Gift Fruit Shippers Association: FGFSA/ USPS–T13–11, 17, 20, 25(b), 30(a), and redirected from witness Bradley, and FGFSA/USPS-T16-12-15, redirected from witness Hatfield. All of these interrogatories were filed on July 28, 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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August 11, 1997

FGFSA/USPS-T-13-11

Provide the volume profile - pieces, weight and cubic feet - of each class and subclass of mail using the purchased capacity, by type of Contract Route for the fiscal year covered by your analysis.

Response to FGFSA/USPS-T-13-11.

This information is not collected nor does it exist. Please refer to Docket No. R90-1, USPS Witness Rogerson's Response to FGFSA-USPS-T-11-26, Tr. 5 / p. 1297. Total piece and weight volume information for the classes and subclasses of mail is available from the Revenue, Pieces, and Weight System (RPW) in USPS-T-1, p. 8-15.

TRACS was developed in response to a need to provide estimates of the purchased transportation costs for each of the different contract types to be distributed to the various classes and subclasses of mail. It is my understanding the prior to the introduction of TRACS, purchased transportation costs were distributed on assumptions and speculation rather that observation. In R90-1, the Commission deemed TRACS "a major improvement" compared to the previous method of distributing costs to the various subclasses of mail. (PRC Op. R90-1, III-154-162.)

FGFSA/USPS-T-13-17

Quantify - pieces, weight and cube - added to the highway transportation network as a result of the efforts of the Postal Service to divert First Class Mail, as well as other preferential mail. Quantify by type of surface transportation - Intra SCF, Inter SCF, Intra BMC and Inter BMC.

Response to FGFSA/USPS-T-13-17.

See response to FGFSA/USPS-T-13-11; volume information on the mail which is actually transported on the various types of surface transportation is not collected. Assuming that "divert" in this interrogatory refers to diverting mail from the air to the ground, a comparison of the distribution keys of air and highway might indicate if there was an increase in the percentage of highway costs of First-Class Mail and a decrease in the costs of First-Class Mail on air transportation, but this comparison is not particularly helpful because of the myriad of other factors that affect the costs distributed to one particular class of mail. For example, volume growth in one class relative to another class of mail would also contribute to a higher percentage of costs distributed to a particular class of mail, and it would be impossible to separate these effects from those of diversion of the mail. TRACS reflects all the effects that lead to higher or lower distribution keys, but does not speculate on the cause of these differences.

FGFSA/USPS-T-13-20

Provide the actual mail volumes transported in each of the 5 contract types listed in your Table 3 in 1990 and 1996.

Response to FGFSA/USPS-T-13-20.

Please see response to FGFSA/USPS-T-13-11.

FGFSA/USPS-T13-25.
Where there is an imbalance between the out-bound mail volume and the in-bound mail volume, a portion of the capacity on the in-bound, or backhaul, movement will be empty. Do you believe that an empty backhaul is merely a part of the cost of the out-bound haul?
(a) Do you believe that, if the out-bound haul varies with volume, that the backhaul similarly varies with volume and is attributable to the same volume changes that caused the changes in the costs of the out-bound haul? Please explain your answer.
(b) Has there been a change in the volume of mail for the in-bound haul (that is, for Intra BMC transportation, the haul to the BMC) due to the changes in the pattern of mail entry points to take advantage of destination entry discounts? If so, quantify the change.

Response to FGFSA/USPS-T13-25b.

As discussed in FGFSA/USPS-T-13-11, information on the total volume of mail traveling on any type of transportation does not exist. However, it is my understanding that Billing Determinants, which are filed annually at the Postal Rate Commission do provide information on the volume of the different rate categories of the classes and subclasses of mail (such as intra-BMC, inter-BMC, DBMC for parcel post) and comparing the current volume of each of these rate categories as a percentage of the total for the subclass to the volumes of the rate categories in the subclass prior to the introduction of dropshipping may provide insight into this question.

FGFSA/USPS-T13-30.
In Docket No. R80-1, the Postal Service said that excess capacity is caused by a complex set of factors, including irregularity of demand, inflexibilities in the supply of transportation and intermediate stops on routes. (USPS-T-6, pp. 17-18, cited at ¶ 0408 in the Op. & RD.)

a. To your knowledge, does the Postal Service continue to have unused capacity on its highway trucks much of the time? Please explain any negative answer.

Response to FGFSA/USPS-T13-30.

a. TRACS utilization figures (USPS-LR-H-82, pp.2398, 2402, 2406, 2410) show that on average there is empty space on all types of movements. However, I have not examined the frequency with which empty space occurs.

FGFSA/USPS-T16-12.
In Docket No. 96-3, the response to OCA/USPS-39(2), under Data Collection, stated that "[t]he following .... were added to TRACS since FY 93:
LL- Fourth class BSPS (Bulk Small Parcels)

a. Please define Fourth-class BSPS as used in the TRACS data collection system.

b. Explain how Fourth-class BSPS differs from third-class BSPS, and how TRACS data collectors distinguish between the two.

c. Provide references to all instructions given to TRACS data collectors regarding criteria and definitions pertinent to entering data under the code "LL - Fourth-class BSPS." If the TRACS instructions are not on file as a library reference, please provide.

Response to FGFSA/USPS-T16-12.

a. Bulk small parcels was a proposed parcel post subclass that never became official. The bulk small parcels study began in PQ3 of FY94, and involved five parcel mailers endorsing Fourth-class Parcel Post weighing between one and five pounds with a special BSPS insignia for identification by USPS data collectors (some mailers were lenient in their adherence to this weight range). The resulting information was to have been used to help estimate the costs for a subset of smaller parcels. BSPS was incorporated into USPS data collection systems effective PQ1 of FY95. The data were too sporadic and insufficient to conclusions to be drawn about the relative costs of such parcels. BSPS was removed from TRACS with Classification Reform I.

b. Bulk Small Parcels were only a type of Fourth-Class Parcel Post, not Third Class. Data collectors never had to distinguish Third-class BSPS because Third-class BSPS never existed.

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b. Bulk Small Parcels were only a type of Fourth-Class Parcel Post, not Third Class. Data collectors never had to distinguish Third-class BSPS because Third-class BSPS never existed.

c. TRACS data collectors were notified of the Bulk Small Parcels study through a "text message" (i.e., a field memo), which is no longer available. The text message instructed data collectors to classify Fourth-class parcels bearing the BSPS insignia under the Fourth-class BSPS mail code added to the CODES data collection software in the FY95 update. The CODES software also had a built-in check which allowed only those Fourth-Class parcels weighing between one and five pounds to be entered as Bulk Small Parcels. No other aspects of data collection / data entry were affected by the Bulk Small Parcels study.

FGFSA/USPS-T16-13.
Please refer to LR-H-82, program TRACS.EXPAND.HWY.PQ*95.CNTL(HWY6).

a. Explain how and to what extent this program "adjust[s] measured cubic feet to match utilization proportions." In your response, please define the term "utilization proportions" as used here. In your answer, explain whether utilization proportions refers to capacity of the truck or something else.

b. Please provide a plain language, non-technical explanation of how this program "expands the cubic feet to match the utilization proportions." Explain fully what is meant by the term "expands."

c. Assume that 25 percent of the capacity of an OTR container was taken up by a single subclass of mail, and the remainder of the container is empty. By how much would this program expand the cubic feet of mail in that subclass? If the information given here is not sufficient to provide an answer, please provide indicate all additional information that is required.

d. Assume (i) that 60 percent of the capacity of an OTR container was taken up by two subclasses, (ii) that two-fifths of the mail in the container was Subclass 1, (iii) the remaining three-fifths was Subclass 2, and (iv) and the other 40 percent of the container is empty. By how much would this program expand the cubic feet of mail in each subclass? If the information given here is not sufficient to provide an answer, please provide indicate all additional information that is required.

e. What is the rationale for assigning empty capacity in containers in proportion to the mail that is actually in the container? That is, why is mail in a container charged for mail not in the container in proportion to mail in the container?

Response to FGFSA/USPS-T16-13.

a. and b. The adjustment of measured cubic feet to match utilization proportions means the expansion of sampled containers to the entire group of like containers. This is best described by example. When a TRACS test is taken, the data collector records the percentage of the truck floorspace that was already empty, the percentage that was unloaded, and the percentage of the truck that remained full after unloading. Unloaded

mail is further broken out into categories "WHEELED", "PALLETS", "SACKS", "OTHER", and "EXPRESS". So a data collector might hypothetically record:

EMPTY:	25%	
REMAINING:	25%	
UNLOADED:	50% (25% wheeled, 20% pallets, 5% sacks, 0% other, 0% Express).	

After converting these utilization proportions to cubic feet (in a 2400 cubic foot truck):

EMPTY:	600 cubic feet	
REMAINING	600 cubic feet	
UNLOADED:	1200 cubic feet	(600 cubic feet of wheeled containers, 480 cubic feet of pallets, and 120 cubic feet of sacks).

Note that two dimensional floorspace percentages are converted to three dimensional cubic footages. Thus, the empty space from each item group to the ceiling is distributed to that item group.

The unloaded mail in this example might hypothetically be nine ERMC's (Eastern Region Mail Containers), four pallets, and a pile of bedloaded sacks. Suppose that the data collector sampled four of the nine ERMC's. An ERMC is approximately 50 cubic feet in

actual size. Suppose the first two sampled ERMC's held only sub-class A; the third

sampled ERMC held only sub-class B, and the contents of the fourth sampled ERMC were 50% sub-class A and 50% sub-class C. Thus the following cubic feet would be assigned to the sampled mail after the sampled mail was expanded to the container level:

	A	B	C
ERMC 1	50 ft^3 (100%)		
ERMC 2	50 ft^3 (100%)		
ERMC 3		50 ft^3 (100%)	
ERMC 4	25 ft^3 (50%)		25 ft^3 (50%)
Total	125 ft^3	50 ft^3	25 ft^3

At this point, program HWY6 adjusts measured cubic feet to match utilization proportions. The utilization proportion from above, for wheeled containers, is 600 cubic feet. The four sampled ERMC's only account for 200 actual cubic feet (125 to A, 50 to B, and 25 to C). The adjustment expands from 200 to 600, thereby distributing the cubic feet of the non-sampled wheeled containers to the mail found in the wheeled containers, and distributing the empty space above the wheeled containers to the mail found in the wheeled containers.

Lines 44-54 in program HWY6 distribute the 600 cubic feet of the truck that are occupied by wheeled containers, to the mail codes based on the 125/50/25 ratio. The new cubic footages for mailcodes A, B, and C are 375, 150, and 75, respectively, which add up to the 600 cubic feet of the truck that are distributed to wheeled containers based on the

percentage of the truck floorspace covered by wheeled containers. The same process is done for pallets, sacks, loose Express Mail, and loose other, so that in the end the entire 1200 cubic feet "unloaded" from the truck is distributed to the mailcodes sampled.

c. Program HWY6 does not expand mail within containers to the container level. Program HWY6 expands sampled containers to the entire group of like containers (wheeled, sack, pallet, etc.) Sampled containerized mail is expanded up to the container level in program HWY1. In your hypothetical, if an OTR contained only one sub-class, program HWY1 would expand distribute the entire cubic feet of the OTR to that one sub-class.

d. Program HWY6 does not expand mail within containers to the container level. Program HWY6 expands sampled containers to the entire group of like containers (wheeled, sack, pallet, etc.) Sampled containerized mail is expanded up to the container level in program HWY1. In your hypothetical, which purported an OTR 40% empty, 24% subclass 1, and 36% subclass 2, these subclasses would be expanded in program HWY1 to the container level, distributing 40% of the cubic feet of the OTR to subclass 1, and 60% of the cubic feet of the OTR to subclass 2. Note that these percentages are your sub-class proportions percentages within the filled portion of the OTR.

e. Please refer to my response to FGFSA/USPS-T-16-14. As discussed in the example of the wiretainer, the mail in the container all contributes to the wiretainer being filled to its load capacity of 75% of the cubic feet. No other mail can be loaded into the container because of the mail that is already in there. Therefore, that mail must bear the

full costs of that container. Also, in a case where there was some mail which was not ready for dispatch that resulted in a less than full container being loaded onto a truck rather than being held until the mail was ready, it is likely that the mail in the container had to be dispatched to meet its service standards. Even if you were to assume that the cost of the empty space in the container was caused by mail not in the container, it would be infeasible and speculative to determine exactly what subclasses and amount of mail had not been ready for dispatch at that time. TRACS is a measurement system – data collectors are trained in measuring and recording proportions of mail in the truck. They do not speculate on the past in the mail processing facility.

FGFSA/USPS-T16-14.

a. Please list each type of container, along with the cubic capacity, that the Postal Service uses for each Intra-BMC and Inter-BMC highway transportation.

b. For each container type specified in response to preceding part a, indicate whether loading of the container is customarily confined to one subclass, even when the container is only partially full.

c. If any containers are customarily restricted to one subclass, regardless of whether the container is only partially full, please explain the rationale for limiting to one subclass what can be put into a single container.

Response to FGFSA/USPS-T6-14

a. These are containers which may be used for inter-facility transportation:

Container	Weight Capacity	Cubic Feet Dimensions
BMC-OTR	1500 lbs.	110.61
ERMC	1200 lbs.	49.34
GPC/GPMC	1200 lbs.	48.65
HAMPER	800 lbs.	30.96
WIRETAINER	2000 lbs.	33.33
POSTAL PAK	2200 lbs.	80

Hampers are generally not used for transportation to or from BMCs, however, there is a possibility that they can be found on inter-facility transportation. Hampers are also not to be loaded with full letter or flat trays. Please refer to LR-H-133, Handbook PO-502, Container Methods Handbook for more information on containers and container loading and unloading.

b. and c. It is my understanding that there are no restrictions for the containers listed in part a. regarding a single subclass occupying a particular type of container. However, shape and containerization of the mail does affect the mix of mail within any container.

This results from different mail processing streams within the facility for different shapes of mail. For example, loose parcels and sacks are processed through the facility separately, and there are separate runouts from each of these processing streams which load into separate containers. The containers can then be unloaded directly into their respective processing streams at the receiving facility. A dispatch close-out time would likely necessitate loading one of these half-full containers onto a truck. Other reasons for loading a partially empty container would be safety issues. For example, a wiretainer can only be loaded three-quarters full of NMOs, sacks, or bundles of circulars because the weight of these types to mail leads to inefficient handling and a greater risk of personal injury.

FGFSA/USPS-T16-15.
Explain the purpose, as well as the underlying rationale, for expanding the cubic feet occupied by mail in the TRACS sample up to the cubic capacity of the truck. If a causal relationship is asserted to exist between mail actually on a particular truck and empty capacity on that truck, please explain fully. If any principles of economics underlie the stated purpose or rationale, please list and describe each one fully. Finally, if any generally accepted accounting principles underlie the stated purpose or rationale, please list and describe each one fully.

Response to FGFSA/USPS-T16-15

Because surface transportation capacity is jointly determined for all classes of mail using that transportation, determining the causality of every contract, trip, and leg of highway purchased transportation is not only infeasible, but would be highly speculative. The cost of a cubic-foot mile is determined for the whole contract, not for each specific leg. All the route trips, stops, and capacity are jointly determined by all the classes of mail which use the transportation, therefore the cost per cubic-foot mile of the contract is also determined by the joint requirements. Please refer to Witness Bradley's responses to FGFSA/USPS-T13-25a, 27d, and 30c.

TRACS is designed to provide statistically reliable estimates of the use of purchased transportation by the classes and subclasses of mail. The purchased capacity of a truck is a resource purchased for all the types of mail which use it, and empty space on a truck reflects the requirements of all the mail on that particular contract route. When there is empty space on a truck, the mail which caused the truck to be dispatched at that particular time (rather than holding the truck until it was full) bears the costs of the truck. Service standards and mail processing requirements (such as producing a steady flow of

mail across the day) of the mail traveling on the truck contribute to the empty space on vehicles. As discussed in my response to FGFSA/USPS-T16-13e, TRACS produces a snapshot in time of what classes of mail are found on the various types of contracts, and does not speculate on the causality of empty space on a truck which may be caused by a variety of different factors.

TRACS is a measurement system, not an accounting system. My background is not in accounting, nor does my testimony address the applicability of generally accepted accounting principles to TRACS.

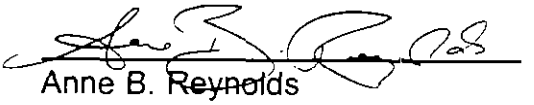
DECLARATION

I, Norma B. Nieto, delcare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Dated: 08/11/97

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.



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