

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

RECEIVED
Aug 11 5 29 PM '97
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS HATFIELD TO INTERROGATORIES OF
THE FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION
(FGFSA/USPS-T16-1-11)

The United States Postal Service hereby provides responses of witness Hatfield to the following interrogatories of the Florida Gift Fruit Shippers Association: FGFSA/USPS-T16-1-11, filed on July 28, 1997. Interrogatories FGFSA/USPS-T16-12-15 were redirected to witness Nieto.

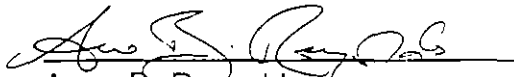
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2970; Fax -5402
August 11, 1997

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T16-1. Is the total purchased transportation cost attributed to the various classes and subclasses of mail using the methodology described in your testimony?

(a) If not, explain how such costs are attributed.

(b) If not, do you recommend that your methodology be used for the attribution of total transportation costs?

RESPONSE:

No, my testimony develops unit transportation costs by zone and rate category *based on the total amount of transportation costs that are distributed to parcel post*. Because the purpose of my testimony is not to attribute transportation costs to the various classes and subclasses of mail, the methodology cannot be used to do so.

(a) Distribution of transportation costs to the various classes and subclasses of mail is accomplished in a variety of ways including the Transportation Cost System (TRACS) and special studies. For a description of the methods of attributing transportation costs to the classes and subclasses of mail, see Library Reference USPS LR-H-1. *In addition, the following sources provide information relevant to the distribution of transportation costs to the classes and subclasses of mail:*

- Witness Alexadrovich (USPS-T-5) provides information on the development of all base year costs, including transportation.
- Witness Bradley (USPS-T-13) provides information on the determination of volume variability in certain transportation accounts.
- Witness Nieto (USPS-T-2) provides information on the Transportation Cost System (TRACS) *used to distribute certain transportation costs to class and subclass.*

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

(b) As stated above, the purpose of my testimony is not to attribute transportation costs to the various classes and subclasses of mail; therefore, the methodology described in my testimony cannot be used to do so.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T16-2. Provide and identify the source of the number of pieces of each class and subclass of mail transported in each type of highway transportation (intraSCF, inter SCF, intra BMC, and interBMC).

RESPONSE:

Data regarding the number of pieces of each class and subclass of mail transported in each type of highway transportation are not used in the development of unit transportation costs in my testimony. Further, I am not aware that these data currently exist for parcel post or any other subclass of mail.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-3. Provide and identify the source of the cubic feet of each class and subclass of mail transported in each type of highway transportation (intraSCF, interSCF, intraBMC and inter BMC).

RESPONSE:

Data regarding the number of cubic feet of each class and subclass of mail transported in each type of highway transportation are not used in the development of unit transportation costs in my testimony. Further, I am not aware that these data currently exist for parcel post or any other subclass of mail.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-4. Provide and identify the source of the cubic foot miles for each class and subclass of mail transported in each type of highway transportation (intra SCF, inter SCF, intra BMC and inter BMC).

RESPONSE:

Data regarding the number of cubic foot miles of each class and subclass of mail transported in each type of highway transportation are not used in the development of unit transportation costs in my testimony. Further, I am not aware that these data currently exist for parcel post or any other subclass of mail.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-5. Confirm that you treat the transportation costs between a BMC and a P&DC served by that BMC as "intermediate transportation costs". If you do not confirm, please explain fully.

RESPONSE:

Confirmed.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-6. Are the cube-weight relationships which you describe in your testimony (beginning at page 11) used to determine the portion of total purchased highway transportation costs which is attributable to parcel post? If not, do you recommend that such relationships be taken into account in determining the attribution of such costs?

RESPONSE:

The cube weight relationships estimated in my testimony are used by me to estimate the total number of test year cubic feet by zone for each rate category of parcel post and by Ms. Mayes to convert costs per cubic foot into costs per piece for each weight increment. These relationships are not used to determine the portion of total purchased highway transportation costs that are attributable to parcel post. It is my understanding that TRACS uses density data from special studies of many subclasses of mail, including parcel post, in distributing some purchased highway transportation accounts to the classes and subclasses of mail. It is also my understanding that the special studies are designed specifically to measure the density of mail as it travels in containers on highway transportation. Therefore, I would not recommend that the cube weight relationships estimated in my testimony be used in the distribution of transportation costs to parcel post because the data collected in the special studies more accurately reflects the density of parcel post as it travels on highway transportation.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-7. For a machinable parcel mailed at Daytona Beach, Florida, for delivery in Dalton, Georgia, confirm that the parcel will receive:

intra BMC transportation

from Daytona Beach to the Jacksonville, FL BMC

from the Atlanta, GA BMC to Dalton, GA.

inter BMC transportation

from the Jacksonville BMC to the Atlanta BMC

If you do not confirm, please fully explain.

If you do confirm, explain how the intra BMC transportation for this parcel is unrelated to the GCD between each BMC and the originating/destinating facilities.

RESPONSE:

Not confirmed. Although the transportation pattern described above could represent a likely travel pattern for a piece of parcel post traveling between the specified origin and destination, data regarding how each piece of parcel post travels between a particular origin and a particular destination does not exist.

Further, even if the transportation pattern described above could be verified for every piece of machinable parcel post traveling between Dayton Beach and Dalton, it is still correct to treat the intra-BMC transportation costs as unrelated to GCD. Please refer to the example described in Figure II-2 of my testimony. Using a similar comparison, substitute the parcel described above for parcel B in my testimony and consider another parcel traveling from Dayton Beach to Eugene, Oregon as parcel A. The parcel sent to Eugene would be zone 8 and would have a GCD that is approximately ten times that of the parcel sent to Dalton. Treating intra-BMC costs as GCD related would imply allocating ten times more intra-BMC cost to parcel A than to parcel B, even though the intra-BMC distance traveled by each parcel is roughly equivalent. Clearly, in the case of inter-BMC parcels, intra-BMC transportation costs should not be distributed based on GCD distance.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-8. Assume a 20# machinable parcel is placed in the mail at the Panama City, Florida, SCF for delivery to an addressee served by the Tampa, Florida, SCF. Confirm that this parcel will receive intra BMC transportation from Panama City, FL to the Jacksonville, FL BMC and from the Jacksonville, FL BMC to Tampa, FL.

In this example, Panama City is Zone 3 from the Jacksonville BMC and from Tampa, and Tampa is also Zone 3 from the Jacksonville BMC.

What will be the actual miles for which transportation service is provided? Will this be actual highway mileage or GCD miles?

What will be the transportation miles taken into account for the determination of attributable costs?

What will be the transportation miles to be taken into account using the methodology explained in your testimony?

RESPONSE:

Not confirmed. Although the transportation pattern described above could represent a likely travel pattern for a piece of parcel post traveling between the specified origin and destination, data regarding how each piece of parcel post travels between a particular origin and a particular destination does not exist.

Assuming that the transportation pattern described above is correct, it would be difficult to quantify the actual miles for which transportation service is provided. In order to determine the actual mileage, the individual contracts and routing between the facilities described above would need to be analyzed. Further, it is quite possible that there exist a number of contracts that provide service between the facilities, each of which may follow a different route and therefore travel a different number of miles. If an estimate of actual highway miles were made it would reflect actual miles and not GCD miles. GCD miles between two points will, in general, be less than the miles actually traveled because highway transportation rarely is able to follow a straight line between two points.

It is my understanding that TRACS uses the actual highway miles traveled on a contract by contract basis in distributing intra-BMC purchased highway transportation to the classes and subclasses of mail.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

The miles used in my testimony to distribute distance related transportation costs to zone are the GCD miles between the origin and destination of the parcel. However, since the parcel described in this question is an intra-BMC parcel, miles (either actual or GCD) are not considered when distributing costs to zone.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-9. Assume a 20 lb. machinable parcel entered as parcel post at the Jacksonville, Florida SCF as Intra-BMC mail for delivery to an address served by the Tampa, Florida SCF, and an identical 20 lb. machinable parcel entered at the Jacksonville, Florida BMC as DBMC mail for delivery to the same address served by the Tampa, Florida SCF. Both parcels are received and processed at the Jacksonville BMC on the same day.

(a) Will both parcels be transported from the BMC to the SCF on the same vehicle?

(b) Will both parcels receive the same highway transportation service from the Jacksonville BMC to the Tampa SCF?

(c) Will the amount of the highway transportation costs from the BMC to the SCF for the Intra BMC parcel be determined on the basis of the cubic feet of the parcel, regardless of the distance? If not, how will the cost be determined?

(d) Will the amount of the highway transportation costs from the BMC to the SCF for the DBMC parcel be determined on the basis of the cubic foot miles of the parcel? If not, how will the cost be determined? If so, is the mileage actual highway miles or the GCD distance?

(e) If the amounts under (c) and (d) are not the same, explain why the amount of transportation costs are different for the two parcels, when the transportation service utilized by each parcel will be the same.

RESPONSE:

(a) In this hypothetical example, both parcels may travel on the same vehicle; however, I cannot confirm that two such parcels would always travel on the same vehicle.

(b) It is unclear exactly what is meant by "the same highway transportation service." If the same highway transportation service means the same vehicle, then I cannot confirm that two such parcels would always travel on the same vehicle. If, on the other hand, same highway transportation service means that both parcels will receive intra-BMC highway transportation, I would confirm that this is likely.

(c) The question mistakenly implies that the methodology used in my testimony to calculate parcel post unit transportation costs by zone is also able to uniquely calculate transportation costs for individual parcels. In actuality, the methodology calculates the transportation costs associated with the average parcel

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

within each zone. Further, the amount of transportation costs for intra-BMC parcels is not specifically divided between movements from the SCF to the BMC and movements from the BMC to the SCF. Therefore, it is accurate to state that the amount of highway transportation costs between the SCF and the BMC and between the BMC and the SCF will be determined on the basis of cubic feet of the parcel.

(d) Again, the transportation costs associated specifically with the parcel described in the example above cannot be determined. However, the amount of highway transportation costs from the BMC to the SCF for average DBMC parcels in each postal zone will be determined on the basis of cubic foot miles in each zone. Cubic foot miles in this situation are calculated using the GCD of the parcel because GCD is directly related to actual distance traveled in the case of DBMC parcel post.

(e) As stated in my response to parts (c) and (d) of this question, the amounts described cannot be calculated; therefore, it is impossible to say whether or not they will be the same. In addition, this question mistakenly assumes that the transportation service utilized by each parcel will be the same. The intra-BMC parcel originating at the Jacksonville SCF will receive additional transportation between the SCF and the BMC that the DBMC parcel will not. Granted, the amount of additional transportation is small; however, it represents a difference between the two parcels described in this example.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T-16-10. Assume a machinable parcel is entered at the Tallahassee, Florida SCF for delivery to an addressee served by the Thomasville, Georgia SCF. Confirm that the transportation to be provided for this parcel will be: intra-BMC from Tallahassee to the Jacksonville BMC, inter-BMC from the Jacksonville BMC to the Atlanta BMC, and intra BMC from the Atlanta BMC to Thomasville. If you do not confirm, please explain fully.

(a) Is this circuitous route determined for the convenience of the USPS?

(b) Is the transportation cost assigned to this parcel for rate making purposes limited to the GCD mileage between the originating and destinating postal facilities?

RESPONSE:

Not confirmed. Data regarding how each piece of parcel post travels between a particular origin and a particular destination does not exist.

(a) In some instances, a parcel may take a route similar to the one described in the above example due to the operational procedures for handling parcel post. It is my understanding that, in general, outbound parcel post will be transported from the origin SCF to the local BMC for sorting and dispatch towards its destination. However, there do exist instances in which parcel post travels directly from an origin SCF to a destination SCF.

(b) As stated in my response to FGFSA/USPS-T-16-9, the methodology described in my testimony does not calculate the transportation costs associated with individual pieces of parcel post. Therefore, the parcel described in this example would pay a rate that is based upon the average transportation cost associated with whichever zone the parcel happened to fall into. The parcel post transportation costs allocated to zones are based on a variety of measures as described in my testimony. For the case of the hypothetical parcel described above, the local and intermediate transportation costs would be allocated to zone based on the cubic feet in each zone and the long distance transportation costs would be allocated on the basis of cubic foot miles in each zone.

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

FGFSA/USPS-T16-11. In your autobiographical sketch at page iii, you stat that your experience includes "attributable cost analysis in transportation" and you "have worked on various projects related to parcels and transportation." You also state that you have observed transportation cost system (TRACS) tests.

(a) Are you sponsoring any of the material in LR-PCR-17 or LR-PCR-20? If not, is any other witness sponsoring any part of these references, and which witness is best qualified to answer questions pertaining to each of these library references?

(b) Please describe fully your familiarity with the TRACS programs described in LR-PCR-17 used to develop the distribution keys for attributable highway costs. In your answer, please state explicitly whether you are knowledgeable about the methodology, procedures and formulas used by TRACS (i) to expand sampled mail volume up to the container level, (ii) to expand sampled mail volume from the container level up to the whole truck or van, and (iii) to compute cubic foot miles of transportation service for each class and subclass of mail.

(c) Are you familiar with and knowledgeable about the way the TRACS sample is selected? For Intra-BMC routes, would you know how many TRACS samples are taken of trucks outbound from the BMC, and how many samples are taken of trucks inbound to the BMC (including samples taken at the BMC itself)?

(d) Have you ever used any of the data contained in the CDs in LR-PCR-20 for any kind of analysis, or any other purpose? If so, please describe the nature of such analysis.

RESPONSE:

(a) Assuming that the question actually refers to Library References USPS LR-H-82 and USPS LR-H-84, the witness most qualified to answer questions pertaining to them is Ms. Nieto (USPS-T-2).

(b) Although I have a general understanding of TRACS, that understanding does not include the specifics of the SAS programs involved in its implementation.

(c) I am not familiar with the specifics of how the TRACS sample is selected. For the purposes of preparing my testimony in this docket, I did not investigate the specifics of the number of routes sampled; however, Ms. Nieto's testimony (USPS-T-2)

RESPONSE OF U.S. POSTAL SERVICE WITNESS HATFIELD
TO INTERROGATORIES OF FLORIDA GIFT FRUIT SHIPPERS ASSOCIATION

and Library Reference USPS LR-H-78 contain information regarding TRACS sampling procedures.

(d) If this question refers to Library Reference USPS LR-H-84, I have not used any of the data contained therein.

DECLARATION

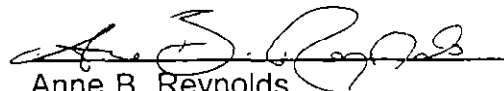
I, Philip A. Hatfield, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Philip A. Hatfield

Dated: 8/11/97

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.


Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
August 11, 1997