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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 CRUM TO INTERROGATORIES OF UNITED PARCEL SERVICE (UPS/USPS-T28—12-16)

The United States Postal Service hereby provides responses of witness Crum to the following interrogatories of United Parcel Service: UPS/USPS-T28—12-16, filed on August 4, 1997.

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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August 14, 1997

UPS/USPS-T28-12. Please refer to your Exhibits D and F and explain in detail the processes (Unloading, Dumping, etc.) for which you calculate the costs and how these processes relate to the processing of parcels in a BMC.

RESPONSE

Exhibit F is generally based on the parcel post models described by witness Daniel in USPS-T-29 which are an update of the models presented by witness Byrne in Docket No. R84-1. Two lines in Exhibit D are less straightforward and I will attempt to describe those more fully below.

Origin BMC - For the nonpresorted machinable pieces, this represents any dumping of pieces from containers, sorting of sacks, or shaking out of any pieces from sacks that is necessary along with the primary parcel sorting machine sort and 'sweep' (removing full containers from the run-out area). For the nonpresorted nonmachinable pieces, this represents the origin primary NMO sort. For the BMC presorted pieces, this represents a crossdock of either a 'gaylord' (for machinable pieces) or a pallet (for nonmachinable pieces).

DBMC Sort - For nonpresorted machinable pieces, this represents the dumping of pieces from a Postal Pak along with the necessary proportion of sorts on the primary and secondary parcel sorting machines. For BMC presorted pieces, this represents the dumping of pieces from a 'gaylord' along with a sort on both the primary and secondary parcel sorting machines. For nonmachinable pieces, the paths merge at that point making the costs identical (and thus unnecessary to show) for both the nonpresorted and BMC presorted pieces.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES
OF UNITED PARCEL SERVICE

UPS/USPS-T28-13. Please explain why Basic Function "Incoming" costs are excluded from the FY 1996 BMC Processing costs ($23,977,000) you use in your Exhibit C.

RESPONSE

The number I use in Exhibit C is an estimate of mail processing labor costs at origin facilities that DBMC pieces will avoid. Our costs are collected by facility. 'Incoming' mail is defined as mail received by a postal facility, most commonly for distribution and delivery within the delivery area of the receiving facility. If I do not exclude 'incoming' costs, I would overstate my cost savings estimate by including costs incurred by pieces traveling from the BMC to the delivery unit as opposed to only from the originating post office to the BMC.

UPS/USPS-T28-14. Refer to Exhibit G, Part 1.

(a) Confirm that you include the costs of crossdocking and loading pallets at the SCF in your calculation of After-BMC Downstream Costs of DSCF Prepared Parcel Post.

(b) Confirm that you do not include the costs of unloading pallets at the SCF in Part I of your calculation of After-BMC Downstream Costs of DSCF Prepared Parcel Post.

(c) Will the pallets be unloaded at the SCF? If so, why are those costs not included?

RESPONSE

a. I include the costs of crossdocking and loading properly prepared sacks and

GPMCs, not pallets.

b. Confirmed.

c. Mailers will be required to unload their properly prepared DSCF pieces to qualify

for the DSCF rate.

UPS/USPS-T28-15. Please refer to Exhibit A of your direct testimony.

(a)   Please confirm that your calculation of Window and Acceptance Costs avoided by DBMC Parcel Post includes costs associated with Basic Function "Incoming" activities. If not confirmed, please explain.

(b)   Please confirm that your calculation of Non-BMC Mail Processing Costs avoided by DBMC Parcel Post (Exhibit C) excludes costs associated with Basic Function "Incoming" activities. If not confirmed, please explain If confirmed, please explain why this exclusion is appropriate when calculating Non-BMC Mail Processing Costs avoided by DBMC Parcel Post, but is not appropriate when making the same calculation for Window Service Costs avoided by DBMC Parcel Post.

(c)   Please confirm that your calculation of Window Service and Platform Costs in Exhibit A also includes costs associated with Basic Function "Other" activities. If not confirmed, please explain.

(d)   Please confirm that Window Service Costs do not include any costs associated with Basic Function "Transit" activities. If not confirmed, please explain.

(e)   Please explain what Window Service Parcel Post Functions would be recorded as Basic Function "Incoming" and "Other."

(f)   Please explain how DBMC Parcel Post avoids the activities (and costs) associated with Window Service Basic Function "Incoming" and "Other" activities.

RESPONSE

a.   Not confirmed. By going to the disk which accompanies Library Reference H-

144, you can see that every single tally with a 'yes' (code #2) for Operation 07 -

Platform Acceptance corresponds to a basic function tally of 'outgoing' (code #1).

Therefore there are no 'incoming' costs at all included in the platform acceptance

section of Exhibit A.

The Postal Service does not routinely develop Window Service (Cost Segment 3.2)

costs by basic function like it does for Mail Processing (Cost Segment 3.1). As I

discussed in my response to UPS/USPS-T28-1(c), I know that costs similar to what might be described as 'incoming' exist for parcel post Window Service and my analysis is cognizant of that. I am comfortable with my assumption that DBMC and non-DBMC pieces incur equivalent costs at the destination delivery unit and that my analysis fairly estimates the Window Service and platform acceptance cost difference between DBMC and non-DBMC parcel post.

b.   Confirmed. As discussed in my response to UPS/USPS-T28-13 above, not excluding Basic Function 'incoming' costs in my mail processing cost analysis in Exhibit C would result in an overstatement of the estimate of DBMC savings. That analysis is completely different from my analysis of Window Service and platform acceptance costs in Exhibit A. The Window Service analysis divides Cost Segment 3.2 by tallies based on the presence of an endorsement indicating whether the piece paid the DBMC rate or not. If one accepts the simple assumption that whether a given parcel was entered as DBMC or not has no impact on its cost or likelihood of pick-up at the destination delivery unit, the basic function has little relevance to my analysis. Even if one did not accept that assumption, those costs are so small as to make the difference all but irrelevant.

c.   Not confirmed. As discussed in (a) above, there are no basic function 'other' costs in platform acceptance (operation 07) and the Postal Service has not developed Window Service costs by basic function in this docket.

d.   Confirmed. See responses to (a) and (c) above.

e.   Please see my response to (a) above.

f.   I can not explain how DBMC Parcel Post avoids the activities (and costs)

associated with Window Service Basic Function 'Incoming' and 'Other' because I do

not state or imply that it does. Please see my responses to (a) above and UPS/USPS-

T-28-1.

UPS/USPS-T28-16. Please refer to page 5 of your direct testimony.
      (a)   Please define the average size of a General Purpose Mail
Container.
      (b)   Please explain the difference between a Gaylord and a General
Purpose Mail Container.
      (c)   Please discuss whether non-machinable parcels can be delivered
in pallets or Gaylords and whether this will affect their eligibility for dropshipment
discounts.

RESPONSE

a.   Length = 42", Width = 29", Height = 69"

b   'Gaylords' are fully described in my response to UPS/USPS-T28-7. GPMCs are

fully described in LR-H-133 beginning at page 13. Basically, 'gaylords' are cardboard

boxes while GPMCs are metal cages with wheels.

c.   To be consistent with my costing assumptions, nonmachinables must be

presented in GPMCs. Other containers would create different cost implications. There

is also a concern about the ability of various delivery units to accept mail on pallets,

'gaylords', or other containers that can not be easily moved. As discussed in the

testimony of witness Daniel (USPS-T-29), parcels generally arrive at delivery units

bedloaded or in either wheeled containers or in sacks.

DECLARATION

I, Charles L. Crum, declare under penalty of perjury that the foregoing answers

are true and correct, to the best of my knowledge, information, and belief.

Charles L. Crum

Dated: _14 AUGUST 1997_

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.

Scott L. Reiter

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