

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 CRUM TO INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T28-1-9)

The United States Postal Service hereby provides responses of witness Crum to the following interrogatories of the Direct Marketing Association, Inc.: DMA/USPS-T28-1-9, filed on August 12, 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



Scott L. Reiter

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August 26, 1997

U. S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF THE
DIRECT MARKETING ASSOCIATION, INC.

DMA/USPS-T28-1. Please refer to Table 1 on page 6 of LR-H-108.

- (a) Please provide similar data for FY 1993, FY 1994, and FY 1995 showing PERMIT estimates of revenue, pieces, and weights for letters, flats, and IPPs and parcels for Standard A Bulk Regular Rate mail.
- (b) Please provide estimates of revenue, pieces, and weights, controlled to GFY RPW totals for letters, flats, and IPPs and Parcels for FY 1993, FY 1994 and FY 1995.
- (c) Using the data provided in this Table, please confirm that the average weight of flats is .2 pounds. If you cannot confirm, please provide the correct average weight for flats.
- (d) Using the data provided in this table, please confirm that the average weight of parcels is .5 pounds. If you cannot confirm, please provide the correct average weight for parcels.

RESPONSE

- a. Attached.
- b. Attached.
- c. I confirm that for FY 1993 through FY 1995 the average weight of Standard Mail (A) bulk Regular Rate flats is .2 pounds to your level of rounding.
- d. I Confirm that for FY 1993 through FY 1995 the average weight of Standard Mail (A) bulk Regular Rate parcels is .5 pounds to your level of rounding.

FY 1993 Standard Mail (A) Bulk Regular Rate

Letters	PERMIT Estimate			Controlled to GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	568,675	2,852,106	160,516	564,987	2,854,722	162,899
Basic ZIP+4 and BC	181,934	1,013,310	59,937	180,754	1,049,768	60,827
3/5-Digit	1,101,091	6,855,385	432,294	1,093,949	7,102,034	438,714
3/5 Digit ZIP+4 and BC	814,698	5,614,426	341,767	809,414	5,816,427	346,842
Carrier Route	1,129,441	9,345,578	642,704	1,175,821	9,632,840	770,090
	-	-	-	-	-	-
High Density / Saturation	262,820	2,384,400	154,685	273,613	2,457,691	185,344
Total Letters	4,058,659	28,065,206	1,791,903	4,098,538	29,013,482	1,964,716
Flats						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	452,899	1,657,808	357,962	448,981	1,717,454	363,277
Basic ZIP+4 and BC	17,865	71,399	16,549	17,749	73,968	16,795
3/5-Digit	690,463	3,157,993	670,562	685,984	3,271,614	680,519
3/5 Digit ZIP+4 and BC	618,379	3,071,211	745,159	614,368	3,181,710	756,225
Carrier Route	1,144,721	7,289,209	1,461,006	1,191,728	7,513,263	1,750,581
	-	-	-	-	-	-
High Density / Saturation	982,328	7,797,927	1,003,821	1,001,846	8,037,618	1,202,781
Total Flats	3,866,555	23,045,547	4,255,058	3,961,637	23,795,626	4,770,178
IPPs and Parcels						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	100,428	233,656	120,403	99,775	242,062	122,191
Basic ZIP+4 and BC	-	-	-	-	-	-
3/5-Digit	165,648	401,356	239,220	164,573	415,796	242,773
3/5 Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	17,215	115,123	18,272	17,922	118,662	21,894
	-	-	-	-	-	-
High Density / Saturation	5,146	42,580	6,435	5,357	43,858	7,710
Total IPPs and Parcels	288,435	792,695	384,330	287,627	820,389	394,568
All Shapes						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,122,000	4,743,570	638,880	1,114,723	4,914,238	648,367
Basic ZIP+4 and BC	199,799	1,084,709	76,486	198,503	1,123,736	77,622
3/5-Digit	1,957,201	10,414,734	1,342,076	1,944,507	10,789,444	1,362,006
3/5 Digit ZIP+4 and BC	1,433,077	8,585,638	1,086,926	1,423,782	8,998,137	1,103,067
Carrier Route	2,291,377	16,749,910	2,121,983	2,385,471	17,264,765	2,542,565
	-	-	-	-	-	-
High Density / Saturation	1,230,294	10,224,886	1,164,940	1,280,815	10,539,177	1,395,835
Total All Shapes	8,233,749	51,903,447	6,431,292	8,347,802	53,629,497	7,129,462
GFY RPW Total						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	4,681,516	25,825,555	3,191,062			
Carrier Route	3,666,286	27,803,942	3,938,400			
	8,347,802	53,629,497	7,129,462			
GFY RPW Factors						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	0.99351	1.03598	1.01485			
Carrier Route	1.04106	1.03074	1.19820			

ATTACHMENT TO DMA/USPS-TZ8-1

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FY 1994 Standard Mail (A) Bulk Regular Rate

Letters	PERMIT Estimate			Controlled to GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	557,871	2,796,477	160,413	553,579	2,786,005	162,926
Basic ZIP+4 and BC	167,088	932,168	54,347	165,803	928,678	55,198
3/5-Digit	1,135,085	7,072,435	467,630	1,125,352	7,045,951	474,956
3/5 Digit ZIP+4 and BC	1,047,229	7,224,646	440,076	1,039,172	7,197,592	446,870
Carrier Route	1,244,893	10,282,414	720,890	1,308,873	10,758,571	766,742
High Density / Saturation	-	-	-	-	-	-
High Density / Saturation	269,410	2,445,921	170,145	283,256	2,559,186	180,967
Total Letters	4,421,576	30,754,061	2,013,501	4,477,035	31,275,984	2,087,760
Flats						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	420,934	1,524,499	339,195	417,695	1,518,790	344,509
Basic ZIP+4 and BC	25,239	97,062	24,749	25,044	96,699	25,136
3/5-Digit	609,889	2,771,205	617,229	605,197	2,760,828	626,898
3/5 Digit ZIP+4 and BC	912,483	4,508,944	1,161,592	905,463	4,492,060	1,179,789
Carrier Route	1,211,566	7,532,173	1,712,789	1,273,833	7,880,972	1,821,733
High Density / Saturation	-	-	-	-	-	-
High Density / Saturation	992,310	8,143,308	1,344,271	1,043,309	8,520,407	1,429,774
Total Flats	4,172,421	24,577,191	5,199,824	4,270,541	25,269,755	5,427,839
IPPs and Parcels						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	108,923	254,840	133,232	108,085	253,886	135,320
Basic ZIP+4 and BC	-	-	-	-	-	-
3/5-Digit	181,623	444,202	263,116	180,225	442,539	267,238
3/5 Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	7,389	50,843	7,933	7,769	53,197	8,438
High Density / Saturation	-	-	-	-	-	-
High Density / Saturation	4,655	39,340	7,439	4,894	41,162	7,913
Total IPPs and Parcels	302,590	789,225	411,721	300,973	790,784	418,908
All Shapes						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,087,728	4,575,815	632,840	1,079,359	4,558,881	642,754
Basic ZIP+4 and BC	192,327	1,029,231	79,095	190,847	1,025,377	80,335
3/5-Digit	1,926,597	10,287,842	1,347,976	1,911,774	10,249,318	1,369,093
3/5 Digit ZIP+4 and BC	1,859,712	11,733,590	1,601,868	1,944,635	11,689,652	1,626,759
Carrier Route	2,463,847	17,865,430	2,441,612	2,590,474	18,892,740	2,596,913
High Density / Saturation	-	-	-	-	-	-
High Density / Saturation	1,266,375	10,628,569	1,521,855	1,331,460	11,120,755	1,618,654
Total All Shapes	8,896,587	56,120,477	7,625,047	9,048,549	57,336,523	7,934,508
GFY RPW Total						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	5,126,615	27,523,028	3,718,941			
Carrier Route	3,921,934	29,813,495	4,215,567			
	9,048,549	57,336,523	7,934,508			
GFY RPW Factors						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	0.99231	0.99626	1.01567			
Carrier Route	1.05139	1.04631	1.06361			

FY 1995 Standard Mail (A) Bulk Regular Rate

Letters	PERMIT Estimate			Controlled by GFY RPW		
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	559,138	2,563,068	147,140	559,985	2,532,640	151,252
Basic ZIP+4 and BC	206,201	1,048,970	61,151	206,513	1,036,517	62,860
3/5-Digit	1,200,600	6,883,397	469,569	1,202,420	6,801,678	482,690
3/5 Digit ZIP+4 and BC	1,336,593	8,447,912	515,382	1,338,618	8,347,619	529,783
Carrier Route	1,434,194	10,879,916	747,490	1,464,657	10,971,374	791,591
High Density / Saturation	308,562	2,572,188	171,890	315,116	2,593,810	182,032
Total Letters	5,045,287	32,395,452	2,112,623	5,087,309	32,283,637	2,200,208
Flats						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	423,644	1,394,597	312,569	424,286	1,378,040	321,303
Basic ZIP+4 and BC	34,335	118,640	30,927	34,387	117,231	31,791
3/5-Digit	661,182	2,758,347	616,244	662,185	2,725,600	633,464
3/5 Digit ZIP+4 and BC	1,174,529	5,342,172	1,344,281	1,176,309	5,278,750	1,381,845
Carrier Route	1,390,230	7,972,949	1,807,613	1,419,759	8,039,971	1,914,259
High Density / Saturation	1,068,262	7,940,394	1,339,549	1,090,953	8,007,142	1,418,581
Total Flats	4,752,182	25,527,099	5,451,184	4,807,878	25,546,734	5,701,245
IPPs and Parcels						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	125,929	262,430	142,407	126,119	259,315	146,386
Basic ZIP+4 and BC	-	-	-	-	-	-
3/5-Digit	228,255	507,829	300,763	228,600	501,800	309,167
3/5 Digit ZIP+4 and BC	-	-	-	-	-	-
Carrier Route	14,319	90,306	15,433	14,623	91,065	16,343
High Density / Saturation	3,020	22,140	3,862	3,085	22,326	4,089
Total IPPs and Parcels	371,523	882,705	462,464	372,428	874,506	475,986
All Shapes						
	Revenue	Pieces	Weight	Revenue	Pieces	Weight
Basic	1,108,710	4,220,095	602,116	1,110,391	4,169,995	618,941
Basic ZIP+4 and BC	240,535	1,167,610	92,078	240,900	1,153,748	94,651
3/5-Digit	2,090,037	10,149,573	1,386,576	2,093,205	10,029,077	1,425,322
3/5 Digit ZIP+4 and BC	2,511,122	13,790,084	1,859,663	2,514,928	13,626,369	1,911,629
Carrier Route	2,838,742	18,943,170	2,570,535	2,899,038	19,102,409	2,722,194
High Density / Saturation	1,379,845	10,534,722	1,515,302	1,409,154	10,623,279	1,604,702
Total All Shapes	10,168,992	58,805,255	8,026,270	10,267,615	58,704,877	8,377,439
GFY RPW Total						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	5,959,423	28,979,189	4,050,543			
Carrier Route	4,308,192	29,725,688	4,328,896			
	10,267,615	58,704,877	8,377,439			
GFY RPW Factors						
	Revenue	Pieces	Weight			
Basic and 3/5-Digit	1.00152	0.98813	1.02794			
Carrier Route	1.02124	1.00841	1.05900			

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DMA/USPS-T28-2. Please refer to page 9 of your direct testimony concerning cost differences for IPPs and Parcels in MC97-2 (USPS-T-7) in which you stated that "[b]ecause the volume of Carrier Route parcels is much lower than flats, I feared that the results might vary from year to year. To check for such variations, I looked at three years of data."

- (a) Did you have similar fears while preparing your testimony in this case?
- (b) If your answer to sub-part (a) is "yes," did you check for variations by analyzing additional years of data? If yes, please provide your findings.
- (c) If your answer to sub-part (a) is "no," please explain what had transpired between the filings of your direct testimonies in MC97-2 and R97-1 to allay such fears.

RESPONSE

- a. No.
- b. N/A
- c. By the time I wrote my MC97-2 testimony, my "fears" had already been allayed. In each of the three years of data analyzed then (and in the FY 1996 data as well), the cost difference between Carrier Route parcels and flats substantially exceeds the proposed surcharge.

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DMA/USPS-T28-3. Please refer to page 9 of your direct testimony in MC97-2 (USPS-T-7), in which you stated that weight may have an impact on cost differences within Standard Mail (A) nonletters and that you analyzed cost differences within the Carrier Route category because you were able to "isolate the cost driving effect of shape as opposed to weight" within that category. Conversely, in your direct testimony in R97-1 (USPS-T-28) (page 11, lines 16-17), you "combine[d] Regular and Enhanced Carrier Route as well as Regular Rate and Nonprofit costs and volumes for purposes of [your] analysis."

- (a) Did you similarly control for the effect of weight for all Standard Mail (A) subclasses in your testimony in R97-1?
- (b) If your answer to sub-part (a) is "no," please explain why you did not control for weight and how this absence of control affects your analysis of shape-based cost differences between flats and parcels in R97-1.
- (c) If your answer to sub-part (a) is "yes," please explain how you controlled for the effect of weight.

RESPONSE

- a. I did not explicitly control for any potential "effect of weight".
- b. There is very little evidence that weight per se has a significant impact on Standard Mail (A) costs, particularly in the range of weights discussed. I adopted the "combine[d]" approach I use in R97-1 because, as I state in my testimony, "My costs and volumes cover the same full range ... of pieces that witness Moeller's surcharge will impact." While I completely believe in both the logic and validity of the 'Carrier Route' approach used in MC97-2, Enhanced

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Carrier Route now comprises just 7.2 percent of Standard Mail (A) parcel volume (see Tables 1 and 2 of LR-H-108).

If you are interested in a weight-equivalent analysis very similar to that presented in MC97-2, you can refer to the CD-ROM version of LR-H-108. See my response to DMA/USPS-T28-9. Please note that the cost difference between parcels and flats shown there for Enhanced Carrier Route only is almost twice as high as that presented in MC97-2.

c. N/A

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DMA/USPS-T28-4. Please refer page 11, lines 5-8, of your direct testimony (USPS-T-28) and page 2 of LR-H-108 in which you state that Standard Mail (A) volumes by shape are "derived from the Permit/Bravis system" which "recorded mailing statement information from each bulk mail transaction."

- (a) Describe in detail how USPS expected mailers to distinguish between "flats," "IPPs," and "parcels," including without limitation the definitions of these categories that USPS expected mailers to employ, in filling out the mailing statements underlying LR-H-108.
- (b) Please describe whether USPS checked the accuracy and reliability of shape designations on the mailing statement information underlying LR-H-108.
- (c) Please describe whether any penalties or other consequences were imposed on mailers who incorrectly classified IPPs as flats or flats as IPPs on the mailing statements underlying LR-H-108.
- (d) Please describe all steps USPS has taken to determine that its information concerning the categorization of Standard (A) nonletter mail as flats or non-flats is accurate and reliable.

RESPONSE

- a. Please see my response to NDMS/USPS-T28-3(a).
- b. It is my understanding that checking shape designations is standard practice upon acceptance and verification of the mailing.
- c., d. The only "consequences" I am aware of would be for the incorrect designation to be corrected upon verification and the appropriate preparation requirements applied. Additionally, there could be a rate implication since automation-compatible flats are limited to 3/4" in thickness. I am informed that

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business mail acceptance clerks undergo a 120 hour Standard Mail Classification Training Program. They should be fully trained in how to distinguish parcels from flats.

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DMA/USPS-T28-5. Please confirm that there was no surcharge based on shape applicable to Standard (A) IPPs or parcels during FY 1996. If you are unable to confirm, please describe in detail the nature of any such surcharge.

RESPONSE

Confirmed.

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DMA/USPS-T28-6. Please describe in a detailed narrative the nature of the activity underlying "mail processing costs" (C/S 3.1a) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

RESPONSE

a. - d. The type of activities that comprise Cost Segment 3.1, Mail Processing Costs, are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 3-1 through 3-8). I am unaware of any separate description of current processing for each category.

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DMA/USPS-T28-7. Please describe in a detailed narrative the nature of the activities underlying the carrier "in-office" labor and support costs (C/S 6.1 and 6.2) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

RESPONSE

a. - d. The type of activities that comprise Cost Segments 6.1 and 6.2 are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 6-1 through 6-6). I am unaware of any separate description of current processing for each category.

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DMA/USPS-T28-8. Please describe in a detailed narrative the nature of the activities underlying the carrier "street" route, access, elemental load, other load and street support costs (C/S 7.1, 7.2, 7.3, 7.4, 7.5) separately for:

- (a) Carrier Route flats;
- (b) Carrier Route IPPs and parcels;
- (c) Bulk Rate Regular flats; and
- (d) Bulk Rate Regular IPPs and parcels.

RESPONSE

a. - d. The type of activities that comprise Cost Segments 7.1 through 7.5 are fully described in the Summary Description of USPS Development of Costs By Segments and Components, Fiscal Year 1996 (LR-H-1, pages 7-1 through 7-14). I am unaware of any separate description of current processing for each category.

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DMA/USPS-T28-9. Please refer to Table 3 on pages 8 and 9 of LR-H-108. Please provide similar tables for each of the subclasses of Standard Mail (A) for FY 1996.

RESPONSE

Those results are provided in the CD-ROM version of LR-H-108. Look under ex-00001/sa96shp.xls Regular can be found on sheet 'BrOth'. Enhanced Carrier Route can be found on sheet 'BrCrt'. Nonprofit can be found on sheet 'NpOth'. Nonprofit Enhanced Carrier Route can be found on sheet 'NpCrt'. Though the tables say "1995", they actually show FY 1996 data. The analysis was not done for Standard Mail (A) Single Piece.

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: 26 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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August 26, 1997