

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY  
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS BARON TO INTERROGATORY OF  
MAGAZINE PUBLISHERS OF AMERICA  
(MPA/USPS-T17-1-7)

The United States Postal Service hereby provides the response of witness Baron to the following interrogatory of Magazine Publishers of America: MPA/USPS-T17-1-7, filed on August 21, 1997. Interrogatories 8 through 12 have been redirected.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

  
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September 4, 1997

MPA/USPS-T17-1. Please refer to page 72, lines 16-18 of your testimony. Please confirm that the only change in the rural carrier costing methodology from that used to develop the FY 1996 Cost Segments and Components Report to the one proposed in this case is "a modest change in this traditional volume variability calculation. It proposes to no longer account for route reclassifications that occur in response to large discrete volume and workload changes." If not confirmed, please explain all other changes proposed in this case to the rural carrier costing methodology.

RESPONSE:

Confirmed in the sense that the change referred to in the section quoted from my testimony is the only proposed change in the **volume variability** calculation. My testimony on rural carriers is concerned solely with the issue of how to measure volume-variable costs, not with how volume-variable costs should be distributed to classes and subclasses of mail. I am unaware of any changes that may have occurred in the distribution procedure.

MPA/USPS-T17-2. Please refer to Fiscal Year 1996 Cost Segments and Components and Base Year 1996 Cost Segments and Components.

- (a) Please confirm that the Periodical class share of rural carrier attributable costs from the FY 1996 Cost Segments and Components is 9.3 percent.
- (b) Please confirm that the Periodicals class share of rural carrier attributable costs from the Base Year 1996 Cost Segments and Components is 10.4 percent.

RESPONSE:

- (a) Confirmed.
- (b) Confirmed.

MPA/USPS-T17-3. Please confirm that, according to your testimony, each class and subclass of mail should receive the same percentage of BY 1996 volume-variable rural carrier costs as it received under the previous costing methodology. If not confirmed, please explain, and provide all relevant data.

RESPONSE:

Not confirmed. My testimony does not address the issue of how volume-variable rural carrier costs should be distributed to classes and subclasses.

Response of Witness Baron to Interrogatories of Magazine Publishers Of America

MPA/USPS-T17-4. If you were able to confirm MPA/USPS-T17-2 and 3, please explain how both statements can be true.

RESPONSE:

Not applicable. T17-2 is confirmed, but T17-3 is not confirmed.

MPA/USPS-T17-5. Please confirm that, all else being equal, if the volume variability of the time taken to deliver a letter is less than 100 percent, as the number of pieces delivered by a rural carrier increases, the average time that the carrier spends to deliver a letter should decrease.

**RESPONSE:**

Confirmed. Note, however, that in the rural carrier analysis, the time taken to deliver a letter is defined as the evaluation factor of 0.0791 minutes per letter delivered. This time allowance factor does not change as the number of letters delivered increases. Therefore, the volume variability of just the time that is taken to deliver a letter with respect to the number of letters delivered is 100 percent. It is only the volume variability of **total** rural carrier time spent over **all** activities combined that is less than 100 percent, due to the presence of fixed evaluation factors.

MPA/USPS-T17-6. Please confirm that, all else being equal, if the number of letters delivered on an average rural carrier route increases between revisions of the evaluation factors, and the volume variability of the time taken to deliver a letter is less than 100 percent, the evaluation factor for delivering a letter should decrease from the earlier revision to the latter revision.

RESPONSE:

Confirmed, with the qualification that the volume variability of time taken just to deliver letters with respect to number of letters delivered on rural routes has not, to my knowledge, ever been estimated. If the volume variability of just the time that is taken to deliver a letter with respect to letters delivered is indeed less than 100 percent, then each increase of one new letter delivered will require a smaller increase in letter delivery time than did the previous increment of one letter delivered. This declining marginal delivery time would mandate a corresponding reduction in the evaluation factor for delivering a letter.

MPA/USPS-T17-7. Assume for purposes of this question that rural carriers are paid in the same way that city carriers are paid.

- a. Do you believe that the volume variability for delivery of a piece of mail of a particular shape should be similar for a rural route and for a curbside city route? Please explain your response.
- b. If no to a., do you believe that the volume variability for delivery of a piece of mail of a particular shape should be higher or lower for a rural route than for a curbside city route? Please explain your response.

**RESPONSE:**

First, it should be noted that rural carriers are not paid in the same way that city carriers are paid.

a. Yes. Rural routes are operationally similar to curblines city routes. Both primarily serve single delivery residential stops. Both have lower access costs per delivery than do foot and park & loop city routes. Moreover, if rural carriers are paid in the same way as city carriers are paid, then, presumably, the same methodologies currently used to measure city carrier volume variabilities would also be applied to rural routes. In particular, rural carrier costs would be split into load-time, running time, and street support components, and running time costs would be further split into fixed route time and access time. The volume variabilities of the load time and access time on the rural routes would, in this case, be similar to those on curblines city routes. Furthermore, the volume variabilities for street support costs would also be similar, since these would be based on the load and access variabilities.

b. Not applicable.



**DECLARATION**

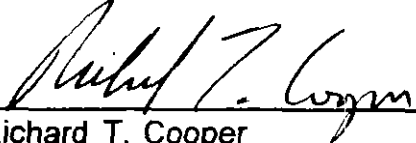
I, Donald M. Baron, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Donald M. Baron

Dated: 9-4-97

**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.

  
Richard T. Cooper

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