

BEFORE THE
POSTAL RATE COMMISSION RECEIVED
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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
TO INTERROGATORIES OF
THE NEWSPAPER ASSOCIATION OF AMERICA
REDIRECTED FROM WITNESS MOELLER
(NAA/USPS-T36-17-27 AND 29-31)

The United States Postal Service hereby provides responses to the following interrogatories of the Newspaper Association of America: NAA/USPS-T36-17-27 and 29-31, filed on August 21, 1997, and redirected from witness Moeller.

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



Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2997; Fax -5402
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FROM WITNESS MOELLER

NAA/USPS-T36-17. Please refer to USPS LR-H-182, page 3.

- a. Please explain why city carrier street costs are distributed to weight increment in proportion to mail volume.
- b. Is it your opinion that weight has no effect on city carrier street costs?
- c. Please refer to the testimony of Postal Service Witness Nelson (USPS-T-19) at page 6, lines 15-17. Please confirm that witness Nelson asserts that the weight of the mail has an impact on letter route driving time. If you cannot confirm this statement, please explain why.
- d. Does this analysis of carrier costs by weight increment assume any difference in carrier street costs by shape of mail? If yes, please explain how this is factored into the analysis. If not, please explain why not.
- e. Does the shape of the mail affect the city carrier load time costs? If no, please provide all support for your position. If yes, please explain what affect shape has on city carrier load time costs.

RESPONSE:

- a. This assumption was made in interests of simplifying the analysis. Although there may be some weight related costs in city carrier street time, it is believed that the majority of costs are piece related.
- b. No.
- c. Confirmed.
- d. For the analysis leading up to Table 1, no difference in carrier street costs by shape is assumed. Again, this was done for simplicity. For the analysis leading up to Table 2, the elemental load portion is derived from the CRA worksheet costs for Standard (A) flats only (based upon the methods described in USPS-LR-H-108), and thus takes shape into account.
- e. Yes, see the development of elemental load costs in the CRA workpapers.

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NAA/USPS-T36-18. Please refer to Table 2 at page 6 of USPS LR-H-182. Does Table 2 include flats and other non-letter pieces such as parcels? If so, please provide the data in Table 2 for flats only.

RESPONSE:

Table 2 includes flats only.

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NAA/USPS-T36-19. Please refer to Table 2 at page 6 of USPS LR-H-182.
Please provide the standard errors of the estimates of unit costs.

RESPONSE:

Since the estimates are formed from a combination of sampling and non-sampling data systems, standard errors cannot be calculated.

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NAA/USPS-T36-20. Please refer to Tables 1 and 2 of USPS LR-H-182. Do these tables include data for both Standard Regular (commercial) and Nonprofit mail? If so, please provide separate tables with the unit costs by weight for Standard Regular and Standard Nonprofit mail.

RESPONSE:

Table 1 and 2 include both commercial and nonprofit mail. Data for commercial appears separately in Tables 3 and 4, and for nonprofit in Tables 5 and 6.

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NAA/USPS-T36-21. Please refer to page 3 of USPS LR-H-182.

- a. Do dropshipping levels vary by weight increment? Please provide all available data to support your response.
- b. If your response to part (a) is yes, was any adjustment made to remove the effects on mail processing costs of the different levels of dropshipping from the data? If no, please explain why not. If yes, please explain what adjustments were made to the data.

RESPONSE:

- a. Yes; the attached table includes data derived from USPS LR-H-108 which depicts pounds that are dropshipped by ounce increment.
- b. No, in the interest of simplicity of presentation, no adjustment for varying dropship levels was made. In a similar study prepared for Docket No. MC95-1 (USPS LR-MCR-12), such an adjustment resulted in insignificant change in the cost relationships.

Weight by Weight Increment and Shape and Entry Discount
FY 1996 Standard Mail (A) Regular

Other	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
111 Letter	298,639	242,312	124,511	29,884	5,339	2,744	1,140	606	455	558	422	458	493	479	187	159
121 Letter - DBMC	87,461	135,801	101,142	43,281	1,318	1,323	523	387	17	14	55	185	78	32	12	-
131 Letter - DSCF	42,630	15,834	17,255	11,270	827	745	440	54	1,607	22	59	84	65	67	14	11
141 Letter - DDU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
211 Flat	21,420	103,489	147,552	171,005	141,190	109,721	70,983	59,872	47,823	45,356	29,957	24,553	22,279	17,723	18,170	12,048
221 Flat - DBMC	6,010	41,194	123,690	226,984	162,970	96,619	49,693	40,167	27,510	17,342	9,881	9,033	9,772	9,705	7,508	4,339
231 Flat - DSCF	5,079	17,259	47,983	107,103	95,096	61,288	39,939	26,751	25,495	15,876	8,039	8,184	11,465	5,123	5,282	5,591
241 Flat - DDU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
311 Parcel	193	2,542	8,730	6,941	6,944	14,002	31,547	26,368	18,858	27,026	34,337	33,162	46,481	54,576	20,200	11,520
321 Parcel - DBMC	19	158	149	374	456	733	3,664	2,408	3,897	5,071	16,297	35,048	22,069	11,784	1,631	311
331 Parcel - DSCF	37	165	1,234	129	115	442	4,154	4,363	1,945	1,436	4,410	5,922	5,044	2,958	571	43
341 Parcel - DDU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrier Route	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
112 Letter	63,225	31,180	25,600	8,894	1,120	364	128	35	5	8	28	21	-	33	22	-
122 Letter - DBMC	69,447	98,060	111,863	36,695	4,444	416	136	125	9	-	-	0	-	-	7	-
132 Letter - DSCF	92,039	106,710	107,850	32,971	1,952	512	369	83	16	13	28	9	1	4	-	0
142 Letter - DDU	12,496	10,433	9,001	754	229	101	51	30	28	23	4	12	8	6	-	-
212 Flat	11,528	21,083	29,817	27,909	18,961	15,291	8,108	4,453	3,199	2,442	1,747	1,679	1,197	1,471	925	676
222 Flat - DBMC	14,609	39,899	86,875	132,392	89,960	53,058	25,528	12,554	11,087	7,458	3,433	2,581	3,525	2,972	1,614	2,128
232 Flat - DSCF	38,627	151,078	289,461	307,321	265,594	169,309	110,924	52,304	52,731	29,041	19,113	10,338	20,948	6,000	8,655	7,422
242 Flat - DDU	9,302	107,302	242,836	87,181	261,317	143,744	48,859	11,917	4,571	2,486	1,820	720	491	213	197	74
312 Parcel	25	303	365	3,355	896	74	71	46	34	12	10	25	21	19	5	3
322 Parcel - DBMC	37	699	25	338	458	48	-	-	10	-	8	0	9	0	-	1
332 Parcel - DSCF	130	1,223	171	462	320	170	23	42	47	3	27	11	2	7	3	1
342 Parcel - DDU	39	467	350	243	375	204	120	95	42	31	14	7	-	-	2	3

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NAA/USPS-T36-22. Please refer to Table 1 at page 4 of USPS LR-H-182.

- a. Please explain how a 13 ounce carrier-route piece can have a unit cost of 6.6 cents while a 12 ounce piece carrier-route piece has a unit cost of 9.0 cents and a 14 ounce carrier-route piece has a unit cost of 13.0 cents.
- b. Does this pattern cause you to doubt the accuracy of the underlying data? If not, why not?

RESPONSE:

- a. Since both the costs and the mail volumes are estimated from statistical systems, some variation in the unit cost should be expected, especially in the heavier weight increments where the sample is much thinner than in the lighter increments. There may also be variations in the amount of dropshipping, presortation, average haul of non-dropshipped mail, and other factors, all of which could cause variations in the unit cost by weight increment.
- b. No. Even though there may be variation in unit cost between particular weight increments as described in this question, the true relationship between cost and weight should be centered within the variation across weight increments. The general implication of the study still stands: weight has a small cost-causative role in Enhanced Carrier Route.

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NAA/USPS-T36-23. Please refer to page 2 of USPS LR-H-182. Was any attempt made to estimate unit volume variable costs for the Test Year?

RESPONSE:

No.

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NAA/USPS-T36-24. Please refer to page 3 of USPS LR-H-182. With respect to the distribution of mail processing costs, were these costs distributed using the MODS cost pools? If no, why not?

RESPONSE:

Yes, each MODS cost pool's variable cost for a particular subclass was distributed in proportion to the IOCS tally dollar value by weight increment for direct tallies belonging to that particular cost pool and subclass. See Appendix A of USPS-LR-H-182.

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NAA/USPS-T36-25. Please refer to Table 2 at page 6 of USPS LR-H-182.

- a. Please explain all possible reasons why the unit costs for one ounce flats are significantly higher than the unit costs for three ounce flats.
- b. Does the relationship of costs for the one ounce piece compared to the three ounce piece cause you to doubt the accuracy of the underlying data? If not, why not?

RESPONSE:

- a. One ounce flats are dropshipped less often, are presorted less finely, and are less automated than three ounce flats. (See response to NAA/USPS-T36-21 and USPS LR-H-108). Statistical variation may account for this phenomenon as well, since there are significantly less one ounce flats than three ounce flats.
- b. No. As explained in subpart a, the cost information is consistent with other data which could explain the higher costs for the first ounce increment. The study was not intended to detail specific cost relationships between individual weight cells, but rather provide the general relationship between weight and costs.

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NAA/USPS-T36-26. Please refer to Table 3 of USPS LR-H-182.

- a. Please confirm that the unit mail processing cost (cost segment 3.1) is 1.76 cents for a one-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- b. Please confirm that the unit mail processing cost (cost segment 3.1) is 1.40 cents for a two-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- c. Please confirm that the unit mail processing cost (cost segment 3.1) is 0.85 cents for a three-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- d. Please explain all possible reasons for the declining unit costs in this cost segment.
- e. When IOCS tally takers record the weight of a piece, is there any tendency simply to record a piece as one ounce if the piece is below the breakpoint rather than recording the actual weight of the piece? What steps does the Postal Service take to ensure that this does not happen?

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. Possible reasons may include a preponderance of letter shaped basic carrier route mail in the first ounce increment (about 64 percent), which declines to approximately 20 percent in the third ounce increment. This mail is more costly than the saturation mail, which makes up about 50 percent of the third-ounce increment. This could explain, at least in part, the cost relationship identified in this question.

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- e. IOCS tally takers are instructed to record the actual weight of the pieces.

See USPS-LR-H-49 at page 131.

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NAA/USPS-T36-27. Please refer to Table 3 of USPS LR-H-182.

- a. Please confirm that the unit city carrier casing (cost segment 6) is 2.26 cents for a one-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- b. Please confirm that the unit city carrier casing (cost segment 6) is 1.38 cents for a two-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- c. Please confirm that the unit city carrier casing (cost segment 6) is 0.88 cents for a three-ounce piece of Standard Regular Carrier-Route Mail. If you cannot confirm this figure, please provide the correct figure.
- d. Please provide all possible reasons for the declining unit costs of city carrier casing.
- e. Is there a possibility of error when recording the weight of the piece when the tally is recorded? If so, please explain.
- f. Was any attempt made to adjust the cost data for the density of the mailings within each weight increment? If so, what adjustments were made in the cost data to reflect the different densities of the mailings? If no, why not?
- g. Was any attempt made to adjust the cost data for the degree of walk-sequencing of the mailings within each weight increment? If so, what adjustments were made in the cost data to reflect the differing amounts of walk-sequencing? If no, why not?

RESPONSE:

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.

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- d. A possible reason may be that the proportion of lower-cost high density and *saturation mail increases from 25 percent at one ounce to 53 percent at three ounces.*
- e. See response to NAA/USPS-T36-26, subpart e. It is not unreasonable to expect that there is a possibility for an error to occur in this process.
- f. No. It is assumed that the question's use of the term "density" refers to the proportion of possible deliveries in a route covered by the average mailing in each ounce increment. No data, other than data separating pieces by shape and rate category, are available for FY96 to make this kind of adjustment.
- g. No, in the interest of simplicity of presentation, no attempt was made to account for varying levels of the use of high-density and saturation mail by *weight increment.*

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NAA/USPS-T36-29. Please provide the average unit contribution to institutional cost for each ounce increment of nondropshipped Standard (A) Regular and Enhanced Carrier Route mail (excluding non-profit subclasses) at proposed rates stated separately for:

- a. Letters and Nonletters; and
- b. below breakpoint and above-breakpoint mail.

RESPONSE:

a and b. Cost coverages (and per piece contribution) are not calculated at this level of detail.

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NAA/USPS-T36-30. Based upon the unit cost data provided in LR-H-182 and current rates, please provide the average unit contribution to institutional costs for Standard (A) Regular and Enhanced Carrier Route mail (excluding non-profit subclasses) stated separately for:

- a. letters and nonletters; and
- b. below breakpoint and above-breakpoint mail.

RESPONSE:

Cost coverages (and per piece contribution) are not calculated at this level of detail.

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NAA/USPS-T36-31. Please refer to pages 1 and 2 of Library Reference H-186. If you cannot answer, please refer to someone who can.

- a. Please explain why there are letters that exceed 3.3 ounces.
- b. Please explain how a sixteen-ounce piece can have the dimensions of a letter.

RESPONSE:

- a. It is assumed that this question is referring to USPS LR-H-182. Shape was determined by processing category, as described in DMM section C050.2.0. *Since weight is not used a defining characteristic of letters, it is possible that some letters weigh more than 3.3 ounces. However, in the Standard (A) Mail rate schedule, all pieces weighing more than 3.3 ounces are defined as nonletters.*
- b. According to DMM C050.2.0, the maximum dimensions for a letters are 6 1/8" by 11 1/2" by 1/4", so it is possible to imagine a piece of those dimensions weighing 16 ounces. As a practical matter, less than one half of one percent of the sixteen ounce mail in the study was classified as letter-shaped.

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.


Anthony F. Alverro

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