

Before The  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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Postal Rate and Fee Changes, 2001

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Docket No. R2001-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO VAL-PAK INTERROGATORIES  
REDIRECTED FROM WITNESS HARAUSH  
(VP/USPS-T5-7b, 8e, 9d, 10bcd, 11, 12, 14a, 15 and 16)

The United States Postal Service hereby provides its responses to the following interrogatories of Val-Pak Direct Marketing Systems, Inc. and Val-Pak Dealers' Association: VP/USPS-T5-7b, 8e, 9d, 10bcd, 11, 12, 14a, 15 and 16, filed on October 30, 2001. These interrogatories were redirected from witness Harahush.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 13, 2001

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**VP/USPS-T5-7.**

Please refer to your response to VP/USPS-T5-1.

- b. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying a Standard ECR merchandise sample be distributed to letters, flats, or parcels?

**RESPONSE:**

- b. For those city carrier street time costs that are distributed on the basis of the relative proportions of volumes recorded in the city version of the Carrier Cost System, the relative proportions or "distribution keys" are by subclass of mail not by shape. Elemental load time has separate cost pools for letter, flats, parcels, and accountables, however. Within each of these specific cost pools, the Carrier Cost System distribution key by subclass of mail is used to distribute volume variable costs to subclass. The DAL accompanying a Standard ECR merchandise sample would be included in the shape based elemental load time cost pool according to its shape as it is assigned in CCS.

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**VP/USPS-T5-8.**

Please assume that a carrier has a Standard ECR Saturation mailing consisting of DALs and unaddressed flat-shaped "wraps."

- e. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying Standard ECR wraps be distributed to letters, flats, or parcels?

**RESPONSE**

- e. For those city carrier street time costs that are distributed on the basis of the relative proportions of volumes recorded in the city version of the Carrier Cost System, the relative proportions or "distribution keys" are by subclass of mail not by shape. Elemental load time has separate cost pools for letter, flats, parcels, and accountables, however. Within each of these specific cost pools, the Carrier Cost System distribution key by subclass of mail is used to distribute volume variable costs to subclass. The DAL accompanying Standard ECR wraps would be included in the same shape based elemental load time cost pool as the piece to which it was assigned in CCS.

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VP/USPS-T5-9

Please assume that a carrier has Bound Printed Matter ("BPM") items with an accompanying DAL.

- d. For those city carrier Segment 7 costs distributed on the basis of the number of pieces handled, would the cost of handling DALs accompanying BPM items be distributed to BPM letter-shaped pieces, or to Standard ECR letter-shaped pieces, or to some other category? Please explain.

RESPONSE

- d. For those city carrier street time costs that are distributed on the basis of the relative proportions of volumes recorded in the city version of the Carrier Cost System, the relative proportions or "distribution keys" are by subclass of mail not by shape. Elemental load time has separate cost pools for letter, flats, parcels, and accountables, however. Within each of these specific cost pools, the Carrier Cost System distribution key by subclass of mail is used to distribute volume variable costs to subclass. The DALs accompanying BPM items would be included in the same shape based elemental load time cost pool as the piece to which it was assigned in CCS.

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VP/USPS-T5-10.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.2.4 states that the volume variable cost of access time is distributed to the pertinent classes and subclasses of mail on the basis of the class and subclass proportions of pieces constituting each aggregate in the FY 1999 CCS volume data.

- b. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for First-Class letters, flats, and parcels separately? If volume variable access costs are not distributed as a separate component to First-Class letters, flats, and parcels, do the access costs that are distributed to First-Class Mail nevertheless form part of the aggregate delivery cost that is distributed to First-Class letters, flats, and parcels?
- c. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for Standard Regular letters, flats, and parcels separately?
- d. Are the CCS volume data used to estimate the volume variable access cost of city carrier delivery for Standard ECR letters, flats, and parcels separately?

RESPONSE

b-d. No. In the established Postal Rate Commission methodology, accesses and access costs are caused by the class of mail, not by shape. (PRC Op., Docket No. R90-1, at III-37 – III-38). Consequently, the Postal Service calculates volume variable access costs on the basis of an equation that relates the number of accesses made by a carrier to the subclasses and subclass aggregates of mail the carrier delivers. (The subclass aggregates are total package mail, and the sum of First-Class Cards, Priority Mail, Express Mail, Penalty USPS Mail, Free Mail, and International Mail). The FY 1996 CCS data were use to estimate this "access" equation. (See Docket No. R97-1, USPS-LR-H-138).

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Actually, Section 7.2.4 of USPS-LR-J-1 states that only the volume-variable costs of the subclass aggregates are “distributed to the pertinent classes and subclasses of mail on the basis of the class and subclass proportions of pieces constituting each aggregate....” In addition, these class and subclass proportions are “determined from the FY 2000 CCS volume data,” not from the FY 1999 CCS volume data. Moreover, shape again is not a factor. The proportion of a subclass aggregate’s total volume-variable cost distributed to each subclass depends strictly on that subclass’ total CCS volume.

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**VP/USPS-T5-11.**

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.5.4 states that the volume variable costs of street support time are distributed to the classes and subclasses of mail "in the same proportions as are the office and other street time component costs for letter routes and special purpose routes."

- a. Does the reference to "office costs" mean city carrier in-office costs recorded under Cost Segment 6? Please explain any negative answer.
- b. Do the city carrier Segment 7 volume variable costs (including volume variable street support costs) that are distributed to the classes and subclasses of mail form the basis for estimating delivery costs for letters, flats, and parcels separately within each class and subclass of mail?
- c. Please explain the rationale for including office costs as part of the basis for distributing the volume variable costs of street support time to the classes and subclasses of mail.
- d. Are volume variable street support costs distributed to letters, flats, and parcels separately within each class and subclass of mail? If volume variable street support costs are not distributed as a separate component to letters, flats, and parcels, do those costs nevertheless form part of the aggregate delivery cost that is distributed to letters, flats, and parcels within each subclass?
- e. Are street support costs identified as training and clocking in and out the only street support costs which are distributed based on In-Office Cost System ("IOCS") tallies?

**RESPONSE**

- a. Yes
- b. The Base year, as shown in USPS-T-11, Workpaper B does not contain estimates of delivery costs for letters, flats, and parcels separately within each class and subclass of mail.
- c. See USPS-LR-J-1, section 7.4.1 on page 7-9, which states that  
[s]treet support time is that part of street time that is variable to the same degree as the system as a whole. Because routes are normally adjusted by

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delivery management to occupy an eight-hour day for a regular carrier, changes in volume or other factors affecting workloads necessarily lead to corresponding changes in the hours per day and total number of routes.

d. See b.

e. No



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**VP/USPS-T5-12.**

**The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 7.3.4 states that the volume variable cost of load time is "distributed to the pertinent classes and subclasses of mail on the basis of proportions of pieces."**

- a. Are the CCS volume data used to estimate the volume variable load costs of city carrier delivery for First-Class letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to First-Class letters, flats, and parcels, do the load costs that are distributed to First-Class Mail nevertheless form part of the aggregate delivery cost that is distributed to First-Class letters, flats, and parcels?**
  
- b. Are the CCS volume data used to estimate the volume variable load costs of city carrier delivery for Standard Regular letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to Standard Regular letters, flats, and parcels, do the load costs that are distributed to Standard Regular Mail nevertheless form part of the aggregate delivery cost that is distributed to Standard Regular letters, flats, and parcels?**
  
- c. Are the CCS volume data used to estimate the volume variable load cost of city carrier delivery for Standard ECR letters, flats, and parcels separately? If volume variable load costs are not distributed as a separate component to Standard ECR letters, flats, and parcels, do the load costs that are distributed to Standard ECR Mail nevertheless form part of the aggregate delivery cost that is distributed to Standard ECR letters, flats, and parcels?**

**RESPONSE**

**a-c. In the established methodology, volume variable elemental load costs for First Class mail are estimated in two steps. First, cost pools are formed by shape. This step is called the "attribution" step and applies the load time variability equation which was estimated using the Load Time Variability Study data. CCS data are used to evaluate the equation and thus contribute indirectly to the calculation of the volume variable cost pools. Once the volume variable cost pools are constructed for letters, flats, parcels, accountables (and collections), the CCS data are used to form distribution**

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keys for each cost pool. For example, the proportion of First Class mail in the letter distribution key would determine what proportion of the letter cost pool that is distributed to First Class Mail. The overall volume variable elemental load time costs distributed to First Class Mail would be the sum of the volume variable elemental load time costs from each cost pool. The same would be true for Standard Regular Mail and Standard ECR mail.

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14. Tables 1-4 in your testimony show the distribution of city carrier costs of each route type to the different classes and subclasses of mail, and, in a similar format, Tables 5-8 show the distribution of rural carrier costs for evaluated factors to the different classes and subclasses of mail.

- a. In which library reference, or where else, do you show the costs for each city carrier route type or each evaluated rural route factor and the computation of the actual amount of carrier costs attributed to each class and subclass of mail? Please provide a specific reference; e.g., if to a spreadsheet, the cell or cells where the data sought can be found.

(a) Tables 1-4 and 5-8 in Witness Harahush's testimony (USPS-T-5) do not show city or rural carrier costs. The numbers shown in Tables 1-4 or in Tables 5-8 are not costs but are volumes projections. The CCS inputs from Witness Harahush that are used in the USPS-T-11 base year B workpapers are shown in the USPS-LR-J-57 file Cs06&7.xls, tab Input LR, lines 18-25 and 56-62; and tab Input DK, columns (3)-(5) and (7)-(12). The RCS inputs from Witness Harahush that are used in the base year B workpapers are shown in the file Cs10.xls, tab Input DK, columns (2)-(10).

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VP/USPS-T5-15.

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-I, Section 6.2.1 states that costs incurred by "checking or preparing a vehicle are transferred to street support, which is analyzed in Cost Segment 7 as an overhead of carrier activity."

- a. Is "checking or preparing a vehicle" the same as "obtaining and loading the vehicle and preparing mail at the vehicle and at relay boxes" identified in "Street support time" in Section 7.0.2? If they are not identical, please explain how they differ.
- b. Are the costs incurred in "checking or preparing a vehicle":
  - (i) entirely allocated between classes and subclasses based upon IOCS tallies?
  - (ii) partially allocated between classes and subclasses based upon IOCS tallies?
  - (iii) entirely allocated between classes and subclasses based upon CCS data?
  - (iv) partially allocated between classes and subclasses based upon CCS data?
- c. If the answer to part a is negative, are the costs incurred in "obtaining and loading the vehicle and preparing mail at the vehicle and at relay boxes":
  - (i) entirely allocated between classes and subclasses based upon IOCS tallies?
  - (ii) partially allocated between classes and subclasses based upon IOCS tallies?
  - (iii) entirely allocated between classes and subclasses based upon CCS data?
  - (iv) partially allocated between classes and subclasses based upon CCS data?

**RESPONSE**

- a. No. "Checking and preparing a vehicle" refers looking over the vehicle and getting it ready for being driven to and on the route. "Obtaining and loading the vehicle" refers to going to get the vehicle and loading it with the mail to be delivered on the route. "Preparing mail at the vehicle" refers to work the

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carrier does at the vehicle along the route to prepare the mail for subsequent delivery. "Preparing mail at the relay boxes" refers to work that a carrier would do at relay box to prepare mail for subsequent delivery. All of these activities are included as part of street support.

- b. Street support costs are allocated in the same proportion as all Segment 6 and 7 costs, and are not directly distributed based on IOCS tallies or CCS volume. Street support costs will be indirectly distributed on IOCS tallies or CCS volume to the same extent that all other Segment 6 and 7 costs are allocated on IOCS tallies or CCS volume.
- c. Street support costs are allocated in the same proportion as all Segment 6 and 7 costs, and are not directly distributed based on IOCS tallies or CCS volume. Street support costs will be indirectly distributed on IOCS tallies or CCS volume to the same extent that all other Segment 6 and 7 costs are allocated on IOCS tallies or CCS volume.

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**VP/USPS-T5-16.**

The Summary Description of USPS Development of Costs by Segments and Components, FY 2000, USPS-LR-J-1, Section 6.0.1 states that "[t]he total city carrier costs are prorated between office activity and street activity on the basis of the proportion of carrier time spent in each activity. Proportions of time are determined from work measurement samples provided by the In-Office Cost System (IOCS)." Section 7.0.1 has similar language.

- a. Do IOCS tallies alone determine the allocation of city carrier costs between Cost Segment 6 and Cost Segment 7? If your answer is not an unqualified affirmative, please explain how this allocation is determined.
- b. Please identify which activities, if any, reflected in Cost Segment 7 are captured by IOCS tallies.

**RESPONSE**

- a. Yes
- b. IOCS tallies are used to measure total street costs, training, and clocking in and out.

**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.

  
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November 13, 2001