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, 2001

Docket No. R2001–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO INTERROGATORIES OF THE RECORDING INDUSTRY ASSOCIATION OF AMERICA (RIAA/USPS-T43-1-4)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of the Recording Industry Association of America: RIAA/USPS-T43-1-4, filed on November 9, 2001. The following interrogatory has been redirected as follows: RIAA/USPS-T43-5 (b), (c), (d), and (f) has been redirected to witness Kingsley and RIAA/USPS-T43-5 (a), (e), and (g) has been redirected to witness Shaw.

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 23, 2001

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ASSOCIATION OF AMERICA

RIAA/USPS-T43-1. Please refer to your response to PostCom/USPS-T43-2h. Has the Postal Service or any of its contractors performed any analysis to explain cost changes from R2000-1 to R2001-1 for Standard Regular or Non-Profit parcels for any weight ranges? If so, please provide a copy of each analysis.

RESPONSE:

No formal analysis has been performed to explain cost changes from R2000-1 to

R2001-1 for Standard parcels for any weight ranges.

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RIAA/USPS-T43-2. Please refer to your responses to PostCom/USPS-T43-2m and PostCom/USPS-T43-2n concerning Test Year costs for Standard Regular and Non-Profit parcels provided in the Excel file LR58AREG.xls of LR-J-58.

(a) Has the Postal Service calculated coefficients of variation for any Test Year unit costs for any weight ranges of Standard Regular and Non-Profit parcels? If so, please provide these coefficients of variation.

(b) Please confirm that the Test Year unit costs for Standard Regular and Non-Profit parcels within each weight range result from dividing Test Year total cost for Standard Regular and Non-Profit parcels within each weight range by the corresponding Test Year total volume for Standard Regular and Non-Profit parcels within that weight range. If not confirmed, please explain fully.

(c) Please confirm that the Test Year costs and volumes for Standard Regular and Non-Profit parcels within each detailed weight range result from applying the rollforward methodology to Base Year costs and volumes for Standard Regular and Non-Profit parcels within each detailed weight range. If not confirmed, please explain fully.

(d) Please describe the rollforward adjustments that are performed to transform Base Year costs and volumes for Standard Regular and Non-Profit parcels into Test Year costs and volumes for Standard Regular and Non-Profit parcels.

(e) Has the Postal Service calculated coefficients of variation for any Base Year costs or volumes for any weight ranges of Standard Regular and Non-Profit parcels? If so, please provide these coefficients of variation.

RESPONSE:

(a) Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Test Year mail processing cost estimates reported in USPS-LR-J-58.

(b) Confirmed.

(c) Confirmed.

(d) TY volumes by shape and ounce increment are determined by multiplying base year volumes by shape and ounce increment by the test year to base year volume ratio (from USPS-LR-J-53, workbook SHP03U~1.xls, sheet 'Class' cell D57). Test year mail processing costs are determined by multiplying base year mail processing costs by shape, ounce increment, and cost pool by the final reconciliation factor and the cost ratio and by the sum of the premium pay factor and the test year piggyback factor less one. Test year window service costs are determined by taking the base year costs by ounce increment and shape and multiplying by both the test year piggyback factor and the ratio of the total test year cost segment 3.2 and base year cost segment 3.2 costs. Test year city carrier in-office costs are determined by taking the base year costs by ounce increment and shape and multiplying by both the test year piggyback factor and the ratio of the total test year cost segment 6.1 and base year cost segment 6.1 costs. All other test year costs are determined by taking the total CRA cost for each modeled segment times the piggyback factor and distributing them to shape by the appropriate distribution key.

(e) Given limited resources and the fact that the cost estimates were only used to indicate the general relationship between cost and weight, no coefficients of variation were calculated for Base Year mail processing cost estimates reported in USPS-LR-J-58.

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RIAA/USPS-T43-3. Please refer to the Excel file LR58AREG.xls of LR-J-58, worksheets "3CREG Flats (detailed)" and "3CREG Parcels (detailed)".

(a) Please confirm that Standard mail (previously referred to as Standard (A) mail) must weigh less than 16 ounces. If not confirmed, please explain fully.

(b) Please confirm that both of the two referenced worksheets include a column labeled "15 to 16+" that indicates the weight increment in ounces of the mail for which the column provides information. If not confirmed, please explain fully.

(c) Please confirm that any mail weighing 16 ounces or more is ineorrectly classified as Standard mail. If not confirmed, please explain fully.

(d) For the two referenced worksheets, please provide a revised version of the volumes and costs listed in the column labeled "15 to 16+" that excludes all data for mail pieces weighing 16 ounces or more.

RESPONSE:

(a) Confirmed. The DMM (section E610) states that Standard mail must weigh less than 16 ounces.

(b) Confirmed that the column is labeled "15 to 16+" to indicate the weight increment in ounces.

(c) While it is technically true that mail paying Standard rates has to weigh less than 16 ounces, mail paying Standard rates could weigh more than 16 ounces if this mail was not discovered and disqualified during the verification process.

(d) The base year and test year cost data for mail processing, window service, and city carrier in-office Standard costs for 15 to 16 ounce and 16+ ounce pieces separately are provided in LR58AREG(revised).xls, in sheets 'TY MP' (columns V and W), 'TY Window' (columns U and V), and 'TY City' (columns V and W), respectively. As these data show, only 0.34 percent of total Standard costs are

assigned to pieces weighing 16 or more ounces. The other costs for 15 to 16+ ounce pieces cannot be disaggregated to provide the costs for pieces that are 15 to 16 ounces only. The volume data presented in USPS-LR-J-58 for 15 to 16+ ounces cannot be split up to show those the number of pieces that are less than 16 ounces from the number that are more than 16 ounces. Volumes by ounce increment are obtained from USPS-LR-J-112. The ultimate source of these volume data is postage statement data (i.e., data on piece weights provided by the mailer). Since pieces found weighing 16 ounces or more are disqualified from being mailed at Standard rates, this data source would not provide an estimate of the number of pieces weighing 16 ounces or more mailed at Standard rates.

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RIAA/USPS-T43-4. Please refer to your response to PostCom/USPS-T43-2r, in which you state that "[a]ll Standard Mail estimates in the Revenue, Pieces, and Weight Report derive from postage statement (also referred to as postage statement) data."

(a) Please provide a copy of the postage statements that were used for Standard Mail during Base Year R2000-1 and Base Year R2001-1.

(b) Please describe in detail what data are entered into the RPW system that indicate the shape of mail. Please further describe in detail how the shape-related data entered into the RPW system are determined from each of the postage statements provided in (a).

(c) Please describe in detail how the shape-related data in the RPW system were used to determine the shape of mail for the volume and weight data provided in LR-J-58 and LR-I-92.

(d) Please describe in detail how the weight of mail to be entered into the RPW system is determined from each of the postage statements provided in (a).

RESPONSE:

(a) A copy of each postage statement used in the two base years is provided in USPS-LR-J-19, Appendix A, and USPS-LR-I-26, Appendix A.

(b) The shape of the mail in RPW is determined by the "processing category" indicated on the postage statement, which, as shown on the postage statement, is based on the shape definitions defined in sections C050 and C820 of the Domestic Mail Manual.

(c) The volume and weight data in USPS-LR-J-58 and USPS-LR-I-92 come from RPW data, so the shape of mail for that data is determined by the processing category indicated on the postage statement, as described in RIAA/USPS-T43-4b.

(d) It is my understanding that the weight reported on the postage statements that is entered under the PERMIT system is summarized by accounting period and finance number for input to the RPW system. Weight can be obtained from a postage statement in two different ways: either from the unit weight of identical pieces times the number of pieces or from the total weight for non-identical pieces. PERMIT computes the total weight, which is the weight reflected in RPW. For piece-rate mailings with single-piece weight under the break point, for which there is no explicit pound-rate charge, the total weight reported from the postage statement is assigned by PERMIT to each presort category in proportion to its presort volume. For pound-rated mail, the total weight for each presort category is provided on the postage statement.

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RIAA/USPS-T43-5. *Please refer to your response to PostCom/USPS-T43-2o, in* which you refer to instructions for Question 22 in USPS-LR-I-14/R2000-1 for "provid[ing] documentation on how the In-Office Cost System (IOCS) defines a flat, an automation flat, a parcel, and an IPP." Please further refer to your response to PostCom/USPS-T43-2p, in which you refer to sections C050 and C820 of the Domestic Mail Manual for "provid[ing] documentation on how the Domestic Mail Manual defines a flat, an automation flat, a parcel, and an IPP."

(a) Please confirm that an item with a length between 4 and 13 inches, a height between 4 and 12 inches, and a thickness greater than 0.75 inch but less than 1.25 inches does not satisfy the size definitions of a flat according to the instructions for Question 22 in USPS-LR-I-14/R2000-1 on page 12-10. If not confirmed, please explain fully.

(b) Please confirm that section C050.3.2 of the current Domestic Mail Manual refers to section C820 for "dimensional criteria" for "automation-compatible flat-size mail." If not confirmed, please explain fully.

(c) Please confirm that section C820.1.0 of the current Domestic Mail Manual states that pieces may qualify as automation-compatible flat-size mail under either the FSM 881 or FSM 1000 requirements. If not confirmed, please explain fully.

(d) Please confirm that an item with a length between 4 and 13 inches, a height between 4 and 12 inches, and a thickness greater than 0.75 inch but less than 1.25 inches satisfies the size definitions of an automation-compatible flat-size mail piece according to the FSM 1000 requirements in section C820.3.3 of the current Domestic Mail Manual. If not confirmed, please explain fully.

(e) If you have confirmed in (d) that the item described in (d) satisfies the size definitions of an automation-compatible flat-size mail piece according to the FSM 1000 requirements, please provide a detailed list of the additional requirements that the item must satisfy in order to meet the full requirements of an automation-compatible flat-size mail piece under FSM 1000 requirements. For each of the requirements listed, please further provide a description of the decision criteria that an IOCS data collector uses to determine if a mail piece satisfies the requirement.

(f) Please confirm that the current definition of the size requirements for FSM 1000 automation-compatible flat-size mail became effective on October 4, 1998.

(g) Please describe how an IOCS data collector determines the weight of a flat or parcel for an IOCS reading.

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RESPONSE:

(a), (e), and (g) Redirected to witness Shaw.

(b) – (d), (f) Redirected to witness Kingsley.

DECLARATION

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

Leslie M. Schenk

Dated: 11/23/01

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.

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
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