

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

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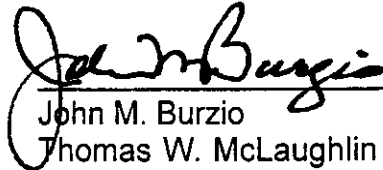
POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

INTERROGATORIES OF ADVO, INC.
TO UNITED STATES POSTAL SERVICE WITNESS
THOMAS HARAUSH (ADVO/USPS-T5-1-10)

Pursuant to sections 25 and 26 of the Rules of Practice, Advo, Inc. (Advo) directs the following interrogatories to United States Postal Service witness Thomas Haraush. If the witness is unable to respond to any interrogatory, we request that a response be provided by appropriate USPS witness capable of providing an answer.

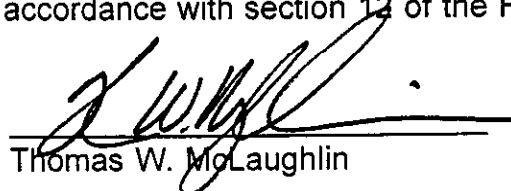
Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Thomas W. McLaughlin

November 30, 2001

ADVO, INC. INTERROGATORIES TO USPS WITNESS THOMAS HARAHUSH

ADVO/USPS-T5-1. In Docket R2000-1 in response to MPA/USPS-2, the USPS stated that there were large changes in city delivery carrier per stop costs by route type (between BY 1996 and BY 1998) likely due to a change in the sampling frame used for the City Carrier Cost System (CCCS) between FY96 and FY98. In FY98, the sampling frame came from the Address Management System (AMS) that does not indicate route types. So, an algorithm was implemented to categorize routes based on delivery mode and the numbers of deliveries, by delivery type. Accordingly, there is some mismatch between the costs and the numbers of stops by route type.

- (a) Is the AMS still the sampling frame for the City Carrier Cost System? If not, please identify the sampling frame.
- (b) Is the "delivery mode/numbers of deliveries by delivery type" algorithm still being used to identify route type? If not, please explain how route type is identified.
- (c) How are mixed routes identified in the BY2000 City Carrier Cost System?

ADVO/USPS-T5-2. The following table compares the proportions of rural route National Mail Count (NMC) volumes to Adjusted Rural Carrier Cost System (RCCS) volumes. The WS sources relate to witness Meehan's Workpaper B.

	NATIONAL MAIL COUNT				ADJUSTED RCCS	
	Volumes	Volumes			Volumes	Percent
	Delivered	Evaluated	Other	Percent	Percent	WS 10.0.3
Volumes	WS 10.1.1	WS 10.2.1	Eval.	Other	WS 10.0.4	
Letters	3,736	2,353	24.67%	27.15%	10,929,534	24.64%
Flats	5,240	2,936	34.60%	33.88%	16,053,551	36.19%
Parcels	223	133	1.47%	1.53%	704,297	1.59%
Boxholders	1,411	769	9.31%	8.88%	2,078,810	4.69%
DPS	4,168	1,818	27.52%	20.98%	13,572,686	30.60%
Sector Segment	366	656	2.42%	7.57%	1,019,154	2.30%
Sum	15,143	8,665	100.0%	100.0%	44,358,032	100.00%

- (a) The proportions of boxholder mail in the NMC (8.88%-9.31%) are nearly double that shown in the Adjusted RCCS (4.69%). Please explain this large disparity.
- (b) The proportions of delivery point sequenced (DPS) mail in the NMC (20.98%-27.52%) are substantially smaller that shown in the Adjusted RCCS (30.60%). Please explain this disparity.

ADVO/USPS-T5-3. The following table compares the changes in proportions of NMC and adjusted RCCS volumes between the R2000-1 base year (BY98) and the R2001-1 base year (BY00). The worksheet sources relate to witness Meehan's Workpaper B.

Absolute Delivered Volumes	Adjusted RCCS Volumes		NMC Evaluated Volumes		NMC Other Volumes	
	WS 10.0.3 & 10.0.4		WS 10.1.1		WS 10.2.1	
	R2001-1 BY00	R2000-1 BY98	R2001-1 BY00	R2000-1 BY98	R2001-1 BY00	R2000-1 BY98
Letters	10,929,534	10,783,834	3,736	4,037	2,353	2,447
Flats	16,053,551	13,198,887	5,240	5,390	2,936	3,061
Parcels	704,297	529,427	223	204	133	123
Boxholders	2,078,810	2,201,663	1,411	1,349	769	739
DPS/SS	14,591,840	11,670,620	4,534	3,860	2,474	2,268
Sum	44,358,032	38,384,431	15,143	14,840	8,665	8,638
Volume Proportions	Adjusted RCCS		NMC Evaluated		NMC Other	
	BY00	BY98	BY00	BY98	BY00	BY98
Letters	24.64%	28.09%	24.67%	27.20%	27.15%	28.32%
Flats	36.19%	34.39%	34.60%	36.32%	33.88%	35.44%
Parcels	1.59%	1.38%	1.47%	1.38%	1.53%	1.42%
Boxholders	4.69%	5.74%	9.31%	9.09%	8.88%	8.56%
DPS/SS	32.90%	30.40%	29.94%	26.01%	28.55%	26.26%
Sum	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Change in Proportions	Adjusted RCCS % Point Change in Proportions BY98 to BY00		NMC Evaluated % Point Change in Proportions BY98 to BY00		NMC Other % Point Change in Proportions BY98 to BY00	
Letters	-3.45%		-2.53%		-1.17%	
Flats	1.80%		-1.71%		-1.55%	
Parcels	0.21%		0.09%		0.11%	
Boxholders	-1.05%		0.22%		0.32%	
DPS/SS	2.49%		3.93%		2.30%	

- (a) Please explain why the RCCS boxholder volume proportion has declined 18% (-1.05 percentage points) between those two years while the NMC volume proportions have actually increased (+0.22 percentage points for evaluated and +0.32 % points for other).
- (b) Please explain why the RCCS adjusted flats delivered volume proportion has increased (+1.80 percentage points) while the NMC flats delivered volume proportions have actually decreased (-1.71 percentage points for evaluated and -1.55 percentage points for other).

ADVO/USPS-T5-4. The upper part of the following table shows the evaluation factors, RCCS per piece cost, and NMC per piece cost for six categories of delivered rural volume, based on the cited worksheets in witness Meehan's Workpaper B. The lower part of the table calculates the unit costs for these volume categories relative to the unit cost for letters (i.e., letter cost = 1.000).

	NMC Volume Evaluated Routes WS 10.1.1	NMC Evaluated Factor WS 10.1.1	Evaluated Routes Distributed Costs WS 10.1.1	RCCS Volumes WS 10.0.3 WS 10.0.4	Evaluated Cost Per RCCS Piece	Evaluated Cost Per NMC Weekly Piece
	(a)	(b)	(c)	(d)	(e) = (c)/(d)	(f) = (c)/(a)
Letters	3,736	0.0791	338,359	10,929,534	0.0310	90.5735
Flats	5,240	0.1416	849,623	16,053,551	0.0529	162.1390
Parcels	223	0.5000	127,509	704,297	0.1810	572.5246
Boxholders	1,411	0.0400	64,604	2,078,810	0.0311	45.8022
DPS	4,168	0.0333	158,920	13,572,686	0.0117	38.1302
Sector Seg.	366	0.0610	25,548	1,019,154	0.0251	69.8482

	Evaluated Factor Ratio Relative to Letter Cost	NMC Piece Cost Ratio Relative to Letter Cost	RCCS Piece Cost Ratio Relative to Letter Cost
	(g) = (b)/(b)Letters	(h) = (f)/(f)Letters	(i) = (e)/(e)Letters
Letters	1.0000	1.0000	1.0000
Flats	1.7901	1.7901	1.7095
Parcels	6.3211	6.3211	5.8480
Boxholders	0.5057	0.5057	1.0038
DPS	0.4210	0.4210	0.3782
Sector Seg.	0.7712	0.7712	0.8097

- (a) Please confirm the accuracy of the figures and calculations in the above table. If you cannot confirm, please provide the figures and calculations that you believe to be correct, and explain how they were derived.
- (b) Please confirm that the ratio of the boxholder unit cost to letter unit cost derived from the RCCS data (1.0038 in column i) is nearly double the unit cost ratio derived from the NMC data (0.5057 in column h). If you cannot confirm, please explain why, and provide the ratios that you believe to be correct.
- (c) Please confirm that for the other volume categories, the ratios of their unit costs to letter unit costs derived from the RCCS data (column i) are comparatively close to the corresponding ratios derived from the NMC data (column h), with the largest deviation being only about a 10% difference between the RCCS and NMC ratios in the case of DPS costs (0.3782 v. 0.4210). If you cannot confirm, please explain why, and provide the comparisons that you believe to be correct.

- (d) Please explain why this large disparity for boxholder unit costs occurs when the other ratios for the RCCS unit costs are comparatively close to those for the NMC unit costs.

ADVO/USPS-T5-5. Please refer to USPS LR J-71 and the FLATALL file.

- (a) Confirm that ACTHRS is a separate field in the National Mail Count data contained in the FLATALL file.
- (b) Confirm that this field contains the average actual weekly hours that carriers spent in-office and out-of-office on assigned routes during the sample periods. If this is incorrect, please explain precisely what this variable represents.
- (c) Explain how data in the time allowance fields are developed.
- (d) Why is there a difference between the sum of the time allowances from each route and the ACTHRS variable for the same route? Please explain fully.

ADVO/USPS-T5-6. Please explain why the USPS decided to use four years of data to develop base year 2000 variability for rural carrier cost.

ADVO/USPS-T5-7. Please confirm or provide the correct understanding of the following:

- (a) There are data from 64,025 rural routes in the FINALL file included in USPS LR-71.
- (b) There are about 67,000 rural routes nationwide (per USPS LR J-1).
- (c) The data in the FINALL file are from NMC route evaluations.

ADVO/USPS-T5-8. With respect to the FINALL file included in USPS LR-71:

- (a) Are any of the rural routes included in the FINALL file included more than once? If so, please explain why and please quantify the number of routes that are included more than once, twice, etc.
- (b) What proportion of total rural routes is represented by the routes included in the FINALL file?

ADVO/USPS-T5-9. Please explain fully how rural routes are selected for the NMC evaluation.

ADVO/USPS-T5-10. Please provide the average base year and test year hourly compensation (salaries plus benefits) for rural and city carriers.