

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

SUPPLEMENTAL RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SCHENK TO INTERROGATORIES OF
MAJOR MAILERS ASSOCIATION (ERRATA)
(MMA/USPS-T43-11(C)(2) and (D)(2)-(5), 12(C), 15(E), and 16)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of Major Mailers Association: MMA/USPS-T43-11(C)(2) and (D)(2)-(5), 12(C), 15(E), and 16. The interrogatories were filed on November 16, 2001 and the original responses were filed on December 6, 2001.

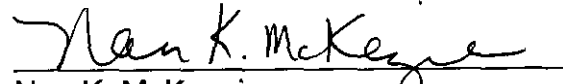
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Nan K. McKenzie

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December 13, 2001

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MMA/USPS-T43-11 Please refer Library Reference USPS-LR-J-117, specifically worksheet "letters 93".

C. Please consider your computed \$FY93, \$FY00 and \$FY 03 First-Class unit delivery costs as shown on line 8 in columns 5, 6 and 7.

2. For the 50,443,703 letters used to compute the \$FY93 unit cost, please confirm that you do not know what portion of the total was delivered by either rural or city delivery carriers, or what portion was delivered to post office boxes. If no, please provide those percentages.

D. In \$FY93, you show that the unit delivery nonDPS costs for single piece and presorted letters are 2.13 and 2.21 cents, respectively.

2. Assume for purposes of this question that 33% of presorted letters were delivered to a post office box and that 13% of the single piece letters were delivered to a post office box. Assume also that the delivery cost for letters delivered to a post office box and collection costs were very close to zero. Under these circumstances, is it appropriate to compare nonDPS delivery costs as shown in the table below? If not, please explain why not?

Computation of \$FY93 nonDPS Delivery Costs Per Delivered Letter

| | (1) | (2) | (3) | (4) | (5) |
|----------------------|-----------------------------|--------------------|-------------------------|------------------------------|-------------------------------------|
| First-Class Category | Total Delivery Cost (\$000) | Total Volume (000) | % Delivered by Carriers | Total Volume Delivered (000) | Unit Cost per Delivered Letter (\$) |
| Single Piece | 1,076,586 | 50,443,703 | 87% | 43,886,022 | 0.0245 |
| Presorted | 652,975 | 29,486,424 | 67% | 19,755,904 | 0.0331 |

Source: USPS-LR-J-117 "letters 3" Col 3 Assumption (2) x (3) (1) / (4) Col 4

3. Assume that 13% of presorted letters were delivered to a post office box and that 33% of the single piece letters were delivered to a post office box. Assume also, for purposes of this question that the delivery cost for letters delivered to a post office box and collection costs were very close to zero. Under this circumstance, do you think it is appropriate to compare nonDPS delivery costs as shown in the table below? If not, why not?

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Computation of \$FY93 nonDPS Delivery Costs Per Delivered Letter

| | (1) | (2) | (3) | (4) | (5) |
|----------------------|-----------------------------|--------------------|-------------------------|------------------------------|--------------------------------|
| First-Class Category | Total Delivery Cost (\$000) | Total Volume (000) | % Delivered by Carriers | Total Volume Delivered (000) | Unit Cost per Delivered Letter |
| Single Piece | 1,076,586 | 50,443,703 | 67% | 33,797,281 | 0.0319 |
| Presorted | 652,975 | 29,486,424 | 87% | 25,653,189 | 0.0255 |

Source: USPS-LR-J-117 "letters 3"
 Col 3 Col 4 Assumption (2) x (3) (1) / (4)

4. Please explain whether one can tell which incurs more nonDPS delivery cost for FY93, single piece or presorted, unless you know how many pieces are actually delivered by rural and city carriers?
5. Assume that during FY 93, 33% of presorted letters were delivered to a post office box and that 13% of the single piece letters were delivered to a post office box, similar to the situation asked in Part 2. Assume further that for FY00, 13 % of presorted letters were delivered to a post office box and that 33% of single piece letters were delivered to a post office box. Assume also, for purposes of this question that the delivery cost for letters delivered to a post office box and collections costs were very close to zero. Under this circumstance, would not the \$FY00 unit nonDPS delivery cost for all destinating letters be more appropriately computed as shown in the table below than the way you computed it in column 5 of worksheet "letters 93"? Please explain your answer.

Computation of \$FY00 nonDPS Delivery Costs Per Originating Letter

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|----------------------|-------------------------|-------------------------------------|-----------------|-----------------|--------------------------|------------------------------|-----------------------------------|----------------------------------|--------------------------------|
| First-Class Category | FY93 Total Volume (000) | FY93 Unit Cost per Delivered Letter | FY93 Labor Rate | FY00 Labor Rate | ratioed unit cost \$FY00 | FY00 % Delivered by Carriers | FY00 Total Volume Delivered (000) | FY00 Total Delivery Cost (\$000) | FY00 Unit Cost for all letters |
| Single Piece | 50,443,703 | 0.0245 | 23.1880 | 27.7445 | 0.0294 | 67% | 33,797,281 | 992,014 | 0.0197 |
| Presorted | 29,486,424 | 0.0331 | 23.1880 | 27.7445 | 0.0395 | 87% | 25,653,189 | 1,014,505 | 0.0344 |

Source: USPS-LR-J-117 "letters 3"
 Part D(2) Fn 8 Fn 9 Assumption (1) x (6) (5) x (7) (8) / (1)

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RESPONSE:

11 C 2. Partly confirmed. It is my understanding that the Postal Service was able to locate FY 1993 CCS and RCS data in response to MMA/USPS-3. Using those data, I was able to compute the proportion of the total RPW volume delivered on city carrier letter routes. However, that information is not incorporated in the LR-J-117 calculations. Insofar as the rural carrier shape categories do not directly correspond to the DMM C050 shape definitions used in LR-J-117, and given that I am not aware of the existence of any data with which to crosswalk the RCS data to DMM C050 shape, I am unable to compute the split between rural routes and post office boxes for the remaining volumes. Using the cost per CCS piece, I calculate that the resulting "non-DPS" costs per RPW piece would be as follows:

Results of alternative calculation using CCS data of First-Class unit costs from 'letters 93' worksheet, LR-J-117.xls.

| First-Class Mail Category | FY 1993 cost per CCS letter | Ratioed unit cost (per RPW piece) \$BY 2000 | Ratioed unit cost (per RPW piece) \$TY 2003 |
|------------------------------|--------------------------------|---|---|
| Single-Piece Letters | 0.0452 | 0.0245 | 0.0288 |
| Presorted letters | 0.0292 | 0.0224 | 0.0263 |

D.

2. It is not appropriate to compare nonDPS delivery costs as shown. The data in the column labeled "% Delivered by Carrier" of the table presented in D2 are

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incorrect, in that the percentage of mail delivered by carriers is not equal to 100 percent less the percentage of mail delivered to post office boxes. Other mail not delivered either by carriers (i.e., those on "letter routes") or to post office boxes, include caller service mail, mail delivered on parcel routes, and mail delivered on other "nonletter" routes. Therefore, the volumes in the column labeled "Total Volume Delivered" do not represent the volumes of mail delivered by carriers.

3. See the response to part D2, above.
4. See the response to part C2, above.
5. See the response to part D2, above. Based on the results I present in response to part C2, the relative FY 1993 costs per delivered piece presented in part D5, and thus the assumptions of the hypothetical, appear to be incorrect.

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MMA/USPS-T43-12 Please refer to your response to Part J of Interrogatory MMA/USPS-T43-1, where you confirmed that you believe you have isolated the impact of presortation on delivery costs, and Part B of your response to Interrogatory MMA/USPS-T43-9.

- C. Please confirm that for the derivation of the 2.65-cent non-DPS unit cost for presorted letters, you have no information as to what percentage of pieces were implicit as being addressed and delivered to post office boxes. If you cannot confirm, please provide the percent of letters implicitly delivered to post office boxes that is implicit in that derived 2.65 unit cost.

RESPONSE:

- C. Please see the response to MMA/USPS-T43-11, part C(2).

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MMA/USPS-T43-15 Please refer to your response Interrogatory MMA/USPS-T43-2.

There may have been some confusion with the original question because you did not explain your methodology for deriving sub-segment 6.1 costs for each category within presorted letters.

E. Please confirm that in your derivation of the presorted nonDPS unit cost referred to in step 1 of Part C, you do not know the volume of actual letters that were processed and delivered by carriers using the nonDPS methods.

RESPONSE:

E. Please see the response to MMA/USPS-T43-11, part C(2).

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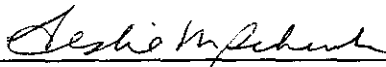
MMA/USPS-T43-16 Please refer to your response to Part E of Interrogatory MMA/USPS-T43-3. Is it your testimony that the volume of letters delivered to a post office box has no impact on your derivation of nonDPS costs? If no, please explain your position. If yes, please explain how you can properly estimate the nonDPS unit cost if you do not know how many pieces were processed and delivered by carriers using nonDPS methods, as computed on worksheet "letters 93" of Library Reference USPS-LR-J-117?

RESPONSE:

Please see the response to MMA/USPS-T43-11, part C(2).

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.

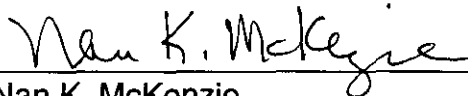


Leslie M. Schenk

Dated: 12/13/01

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.
Washington, D.C. 20260-1137
December 13, 2001