

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, 1997

Docket No. R97-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
WITNESS CRUM TO INTERROGATORIES OF  
PARCEL SHIPPERS ASSOCIATION  
(PSA/USPS-T28-4-5)

The United States Postal Service hereby provides the response of witness Crum to the following interrogatories of Parcel Shippers Association: PSA/USPS-T28-4-5, filed on August 28, 1997.

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

  
\_\_\_\_\_  
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September 11, 1997

U. S. POSTAL SERVICE WITNESS CHARLES L. CRUM  
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PARCEL SHIPPERS ASSOCIATION

**PSA/USPS-T28-4.** In your filed testimony in MC97-2 (page 8), you present the relative volume shares of letters, flats, and parcels, based on Table 1 of Library Reference PCR-38. In this proceeding you have stated the relative volume shares based on Tables 1 and 2 of Library Reference H-1 08. The data shows an increase in letters from 55% of the total to 58.4%, and a decline in flats from 43.5% to 40.1 %. Can you explain the basis for this significant shift in the shares of Standard Mail (A) from flats to letters?

**RESPONSE**

Table 1 of both library references includes only commercial volumes while Table 2 of LR-H-108 includes nonprofit volumes. The analysis in Docket No. R97-1 includes both commercial and nonprofit volumes (see for example my testimony at page 11, lines 5-8, 16-17, or page 12, lines 20-22). By looking at the numbers in Table 2, you can see that *nonprofit volumes are skewed far more towards letters than commercial volumes* partially resulting in the different proportions that you see. Also, LR-H-108 uses 1996 volumes while LR-PCR-38 uses 1995 volumes. That is also well documented in both sets of testimony.

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**PSA/USPS-T28-5.** Your filed testimony in MC97-2 (page 9) stated that attributable cost differences within Standard Mail (A) nonletters could be impacted by weight. You further said that you had discovered that Standard Mail (A) parcels and flats weigh very nearly the same within the carrier route category and you could "thus, isolate the cost driving effect of shape as opposed to weight within that category."

(a) Please explain why, in the current proceeding, you have abandoned this approach of comparing carrier route flats and parcels of comparable weights and exchanged it for a comparison of all Standard (A) parcels and flats combined?

(b) Is your comparison in R97-1 testimony able to isolate the influence of weight on the reputed cost differences between parcels and flats, so that the difference can be attributed solely to the influence of shape?

(c) On page 11 of your R97-1 testimony you list the FY '96 Standard Mail (A) costs by shape based on Library Reference H-108. Please also supply for the record FY '96 revenues per piece separately for parcels and flats.

(d) On pages 11 and 12 of your testimony you extrapolate the FY '98 Test Year cost differences per piece from the FY '96 costs per piece. Please also supply the revenues per piece separately for Standard (A) parcels and flats for the 1998 Test Year.

(e) You testify on page 11 of your testimony that "the degree of presort and depth of dropshipment can each have an impact on costs." You proceed to adjust the parcels/flat cost difference to account for those effects. Since you have previously filed testimony that states that weight also has an impact on the parcel/flat cost differential, please explain why no attempt was made to adjust the differential for the influence of weight?

(f) Based on your own studies or your understanding of the study and analysis contained in Library Reference H-108, are you able categorically to state that the asserted cost differentials between parcels and flats are shaped-based cost differences as opposed to weight-based cost differences? If your answer is in the affirmative, please explain the basis for the answer and cite to data that supports the answer.

## RESPONSE

a. Please see my response to DMA/USPS-T28-3(b).

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- b. Please see my responses to PSA/USPS-T28-5 (e) and (f).
- c. The revenues you ask for can be found on the CD-ROM version of LR-H-108. Please look under ex~00001/stda96.xls.
- d. For the cost differences, I use a simple test year/base year wage rate adjustment factor to move costs to the test year. This methodology does not apply for revenues. Test year revenue per piece figures are not calculated at this level of detail. Such figures could possibly be estimated using any number of different approaches. Each of these approaches would necessarily involve a number of assumptions that would potentially question the accuracy of such estimates. The data supplied by the Postal Service in Docket No. R97-1 does not include such estimates because they are not required. The data one might need to rely on can be found primarily in the CD-ROM version of LR-H-108.
- e. I have not "previously filed testimony that states that weight also has an impact on the parcel/flat cost differential". I believe my strongest statement relating to that said that "weight ... *could* have an impact (on costs) as well". I have no data to show that weight, in and of itself, has a significant impact on Standard Mail (A) parcel costs, particularly in the range of weights discussed. Also, given that the weight equivalent analysis (based on the carrier route numbers) produces a cost difference which is four times greater than the proposed 10 cent surcharge, I did not believe it was necessary to explicitly adjust for any potential effect of weight.
- f. Based on my analysis, I believe that the parcel/flat cost differential in my testimony is essentially shape-based. I can not categorically state that there are no

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weight-based cost differences, however, I do believe any effects of weight per se are minimal.

**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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Scott L Reiter

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