

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 UNITED STATES POSTAL SERVICE  
WITNESS LION TO INTERROGATORIES OF  
THE OFFICE OF THE CONSUMER ADVOCATE  
(OCA/USPS-T24-68-72),  
AND REVISED PAGE 2 OF WITNESS LION'S RESPONSE TO OCA/USPS-T24-65

The United States Postal Service hereby provides responses of witness Lion to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T24-68-72, filed on September 2, 1997. The Postal Service is also providing a revised page 2 of witness Lion's response to OCA/USPS-T24-65. This response was revised on September 12, 1997. However, the original page 2 was included then, instead of the revised page 2. The Postal Service apologizes for any confusion that has resulted.

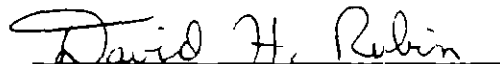
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 16, 1997

**OCA/USPS-T24-68.** Please refer to your testimony at page 20, line 5, and the following table, which shows the development of attributable "Space Support" costs.

**FY98 TYBR ACCRUED AND ATTRIBUTABLE SPACE  
SUPPORT COSTS 1/**

COST SEGMENT AND COMPONENT	TOTAL ACCRUED (\$1,000)	ATTRIBUTABLE TO POST OFFICE BOXES (\$1,000)
	[1]	[2]
C/S 11.1.1 Cleaning and Protection	\$802,065	\$70,977
C/S 11.1.2 Contract Cleaners	\$53,401	\$4,726
C/S 11.3 Plant & Building Equipment Maintenance	\$389,346	\$34,454
C/S 15.2 Building Occupancy, Fuel and Utilities	\$428,502	\$37,919
C/S 16.3.1 Custodial & Building	\$1,407,999	\$124,598
C/S 18.1.2 Postal Inspection Service	\$360,277	\$7,254
<b>TOTAL SPACE SUPPORT</b>	<b>\$3,441,590</b>	<b>\$279,928</b>

**Notes and Sources**

1/ USPS-T-15, WP E, Table D, for the cost segments listed.

- a. Please confirm that the figures in column [1] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.
- b. Please confirm that the figures in column [2] are correct. If you do not confirm, please explain and provide the correct figures. Please show all calculations and provide citations to any figures used.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

**OCA/USPS-T24-69.** Please refer to your testimony at page 20, line 7, "All Other" costs.

- a. For Cost Segments 6 & 7, city delivery carriers, please confirm that the figure, \$353,000, post office box attributable costs, is obtained by summing \$259,000 (Component 6.1, In-Office Direct Labor), \$49,000 (Component 6.2, In-Office Support), and \$45,000 (Component 7.5, Street Support). If you do not confirm, please explain and provide the correct figures.
- b. Please describe, for post office boxes, the tasks and activities performed under Components 6.1, 6.2 and 7.5.
- c. Please confirm that highway contract carriers engage in the same tasks and activities described in part b. above. If you do not confirm, please explain.
- d. Please confirm that the cost of highway contract carriers (Cost Segment 14) is not an attributable cost of post office boxes. If you do not confirm, please explain.
- e. Please explain why the tasks or activities giving rise to costs of highway contract carriers that are similar or identical to the costs of city delivery carriers are not included in post office box attributable costs.

**RESPONSE:**

a. Confirmed.

b-e. Redirected to witness Patelunas.

**OCA/USPS-T24-70.** Please refer to your testimony at page 4, lines 2-3, concerning the POB Survey, and Tables 1 and 2.

- a. Please confirm that the POB Survey obtained data on the number of post office boxes installed and in use by surveying "contract postal units" (herein contract stations). See Glossary of Postal Terms, Publication 32, April 1988, at 15. If you do not confirm, please explain.
- b. In the POB Survey, what percent of the 32,436 postal facilities surveyed were contract stations?
- c. In the POB Survey, what percent of the 25,591 returned survey forms were contract stations?
- d. In the POB Survey, what percent of the 14,290, 298 post office boxes installed are located in contract stations?
  - i. Please provide the number of post office boxes installed in contract stations in the same format as Table 1.
  - ii. Please provide the number of post office boxes installed in contract stations by CAG by box size.
- e. In the POB Survey, what percent of the 11,319,936 post office boxes in use are located in contract stations.
  - i. Please provide the number of post office boxes in use in contract stations in the same format as Table 1.
  - ii. Please provide the number of post office boxes in use in contract stations by CAG by box size.

**RESPONSE:**

- a. Not confirmed. There was no attempt to survey "contract postal units."  
  
Nonetheless, some survey forms were returned by Group III offices; these data were eliminated from the PO Box Survey database. (Forms returned by Group I and II offices include data on boxes at contract units administered by those offices, but not in a form that separates contractor-operated boxes.)
- b. No forms were mailed to contract stations.
- c. None. Group III contract units that did return forms were eliminated from the database.

- d. It is not possible to separate this information. Respondents to the survey were asked for a count of the total number of boxes in their 5-digit ZIP Code. This total might include contract as well as classified stations.
- e. See part d.

**OCA/USPS-T24-71.** Please refer to LR-H-188

- a. Please confirm that the Delivery Statistics File (DSF) contains data on the number of contract stations having post office boxes. If you do not confirm, please explain.
- b. Please confirm that the Delivery Statistics File (DSF) contains data on the number of post office boxes located in contract stations. If you do not confirm, please explain.
- c. Please provide, and explain how to identify from the data, the number of contract stations having post office boxes.
- d. Please provide, and explain how to identify from the data, the number of post office boxes located in contract stations.
- e. Please provide, and file as a library reference, a file containing data on contract stations, including the number of contract stations, the number of boxes by station by box size, and Postal Service payments to contractors for contract stations.

**RESPONSE:**

- a. Not confirmed. The Delivery Statistics File can only be used to determine the aggregate number of post office box deliveries for each 5-digit ZIP Code. Any boxes at contract stations in a particular ZIP Code would be included in the aggregate total.
- b. Confirmed.
- c. This information is not available. See my response to part a.
- d. According to the DSF, there are 85,557 post office box possible deliveries located at contract stations.

This number was derived by inserting the following lines of code into the SAS program POBOX.AUG97.DSFRTE.CNTL, which was filed with USPS LR-H-222.

1. After line 18, insert:

"CONBOX + BCONBOX + RCONBOX";

2. At line 32, add the variable "CONBOX" to the variable list;
3. After line 97, insert:

```
DATA ADDFIN; SET ADDFIN  
PROC MEANS DATA = ADDFIN NOPRINT  
VAR CONBOX  
OUTPUT OUT = CONTOT SUM =  
PROC PRINT DATA = CONTOT.
```

- e. I am assuming that this question is a request for a file in which each record is a 5-digit ZIP Code, containing DSF or POB Survey data on the number of contract stations, the number of post office boxes by station and box size, and payments to contractors by the Postal Service. As indicated in part a, the format of the DSF does not allow the determination of the number of contract stations, or the numbers of post office boxes for individual contract stations. Also, the DSF does not contain data on box size, nor does it contain data on payments to contractors. Similarly, the format of the POB Survey does not allow the determination of the requested information.

The aggregate total of payments to contract stations is \$67,986,000, as shown in USPS-T-5, Exhibit 5A, p.40.

**OCA/USPS-T24-72.** Please refer to your response to OCA/USPS-T24-23e, where it states that "Migration of general delivery or other customers to Group E boxes would not, however, affect the revenue estimation for post office boxes . . ."

- a. Please confirm that migration of general delivery or other customers to Group E boxes would increase the cost of operating Group E boxes. If you do not confirm, please explain your answer in full.
- b. Please provide an estimate of the additional cost of operating Group E boxes resulting from the migration of general delivery or other customers to Group E boxes.
- c. Please confirm that service to general delivery customers is more costly than box service to post office boxholders. If you do not confirm, please explain.

**RESPONSE:**

- a. Confirmed.
- b. I have no data on which to base such an estimate.
- c. I have no data on which to base such a judgment.

**RESPONSE:**

- a. The justification for the equal weighting of rental rates at different facilities is that it provides the best estimate of group-wide rental rates. The interrogatory response you cite (OCA/USPS-T24-44f) simply establishes that the results are confirmed by common sense, which is reassuring. The methodology propounded by the OCA does not generate similarly reassuring results, for the reason stated in part i below.
- b. No. "Nonpostal retail rental rates" were not used in our methodology. However, since postal rents are part of the more general market, postal rents should be correlated generally with market rates.
- c. Yes. Exclusion of rental rates from facilities with zero boxes decreases average rental rates for all fee groups except Groups D and E, for which there is no change. The effect can be seen by comparing Tables I and II in my response to part i below. Percentage differences for key variables are as follows:

<u>Group</u>	<u>Rent</u>	<u>Unit Cost</u>	<u>Coverage</u>
A	- 4.5 %	-2.0 %	+1.5 %
B	- 2.0 %	-0.3 %	+0.7 %
C	- 2.2 %	-0.3 %	0.0 %
D	0.0 %	+0.5 %	0.0 %
E	+ 0.0 %	+0.5 %	0.0 %

- d-e. A comparison of Tables I and II in response to Part i, below, shows that postal rental rates do differ systematically between facilities with and without post office

# DECLARATION

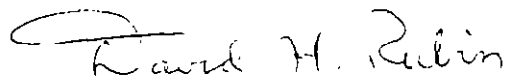
I, Paul M. Lion, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Paul M. Lion

Dated: 9/16/97

## 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.

  
David H. Rubin

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