

DOCKET SECTION

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 NELSON TO INTERROGATORIES OF
THE NEWSPAPER ASSOCIATION OF AMERICA
(NAA/USPS-T19-1-4)

The United States Postal Service hereby provides responses of witness Nelson to the following interrogatories of the Newspaper Association of America: NAA/USPS-T19-1-4, filed on September 12, 1997.

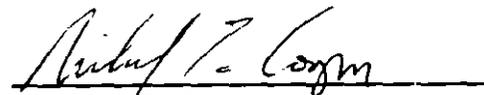
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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September 25, 1997

NAA/USPS-T19-1. Please refer to Exhibit USPS-19B of your direct testimony. Concerning the follow-up survey of supervisors of sampled routes with routine loops/dismounts:

- a. How many surveys were distributed?
- b. Out of this total, how many supervisors ultimately responded to the survey?
- c. Did the Postal Service, or contracting firm conducting the follow-up survey, perform any activities to ensure the quality of the data generated by the survey? If so, please describe these activities. If no, please explain why not.
- d. Was the survey pre-tested? If so, please provide a detailed description of the pre-testing procedures. If no, please explain why not.
- e. Did the Postal Service, or contracting firm conducting the follow-up survey, conduct any training activities to ensure the responding supervisors understood the purpose of the survey and information being collected? If so, please describe these activities. If no, please explain why not.

Response:

It is assumed that "follow-up survey" refers to the "Parking Point Worksheet", which was distributed to relevant participants in the Motorized Letter Route Survey. This worksheet is described in footnote 2 on page 2 of Exhibit USPS-19B, and in my response to ADVO/USPS-T19-5(a).

- a. 180 worksheets were distributed.
- b. 118 worksheets were completed.
- c. Yes. Activities performed to ensure the quality of the data included the following:

- The worksheet was designed to rely on the knowledge of route supervisors, who are responsible for the designation of authorized parking points on motorized letter routes (including routine looping points and dismounts);

- The worksheet was limited to an extremely common type of stop and was kept minimal in scope, requiring only that the observed number of routine looping/dismount stops be distributed to four categories;

- The observed total number of stops was entered on the worksheet to cross-check the sum of the four categories;

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- A copy of the Motorized Letter Route Survey form referenced by the worksheet was attached to the worksheet;

- Participating supervisors were provided with any needed technical assistance through a direct telephone link to support personnel; and,

- The results were checked for general reasonableness and consistency with previous Motorized Letter Route Survey results.

d. Yes. As a pretest, Parking Point Worksheets were initially distributed only to the first fifteen routes in the sample. Based on the responses from these routes, it was concluded that the worksheets could be distributed to the remaining routes.

e. Yes. The Parking Point Worksheet was labeled and presented as being part of the Motorized Letter Route Survey. Extensive teleconference training of the supervisors participating in the Motorized Letter Route Survey was previously undertaken. During that training, the purpose and uses of the information being collected were explained thoroughly. While the worksheet sought additional information regarding a particular category of stops, it did not alter the purpose of the data collection.

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NAA/USPS-T19-2. Please refer to your Workpaper 1.14.

a. For the following items cited by respondents to the follow-up survey as being factors in establishing discounts, please explain how each factor results in establishing a discount regardless of the volume or weight of the mail:

1. Parcels
2. Office Buildings/Business
3. Apts.
4. Combination: apts./offices/schools
5. Distance between delivery points

b. Would light-weight, small parcels result in establishing a discount to the same degree as heavier, bulkier parcels? Please explain.

c. If the weight of the mail for an office building or apartment is extremely light, is a discount established for other reasons. Please explain.

d. For the following items cited by respondents to the follow-up survey as being factors in establishing loops, please explain how each factor results in establishing a loop regardless of the volume or weight of the mail for that loop:

1. Numerous Discounts
2. Light Volume
3. Line of Travel
4. Deliveries across the street

e. Please explain how and why numerous discounts result in establishing a loop.

f. If the numerous discounts were established to handle heavy volumes of mail, will a loop be established? Please explain.

g. Please define the following terms and explain why loops are established due to these factors:

1. "Line of Travel"
2. "Deliveries across the street"

h. Please explain and define the 3 largest subcategories of "Other" under Stops B – Discounts Due to Other Factors.

i. Please explain why it is appropriate to calculate the variability factor (0.4099) based on a denominator that includes the number of total loops and number of discounts due to other factors. In other words, explain why this is not an "apples to oranges" comparison.

Response:

a. The worksheet does not call for or provide an explanation of "how each factor results in establishing a discount regardless of the volume or weight of the mail". Such an explanation is unnecessary in the context of the use that is made of the data from the worksheet.

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b. Unknown. The worksheet does not call for or provide an explanation of how the factor referenced as "parcels" in my Workpaper 1.14 affects the establishment of dismounts. In particular, it does not indicate how the number, size or weight of parcels may be associated with dismounts.

c. I am unaware of any reason why a dismount could not take place in the circumstance where the weight of mail for an office building or apartment is light. For example, if an office building or apartment is sufficiently isolated from neighboring addresses, local management may hypothetically determine that it is best served by dismount.

d. The worksheet does not call for or provide an explanation of "how each factor results in establishing a loop regardless of the volume or weight of the mail". Such an explanation is unnecessary in the context of the use that is made of the data from the worksheet.

e. The worksheet does not call for or provide an explanation of "how and why numerous dismounts result in establishing a loop". It is reasonable to hypothesize that local management may identify instances where it is desirable to convert existing dismounts to a loop. For example, new construction may hypothetically make it desirable for loops to be made from groups of previously-isolated (low-volume) dismount points.

f. Generally no. The 35-lb. limit on satchel weight for individual loops tends to preclude the creation of loops from "numerous" points that receive "heavy volumes of mail".

g. These terms do not have formal definitions in the context of this analysis, but rather represent types of factors other than mail volume/weight that were cited by supervisors as causing routine looping points.

1. It is reasonable to hypothesize that in the given context, "Line of Travel" refers to a circumstance where the logical line of travel that exists in local conditions does not lead to a satchel load that is constrained by the quantity of mail carried.

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2. It is reasonable to hypothesize that in the given context, "Deliveries across the street" refers to a circumstance where the logical line of travel that exists in local conditions involves having the carrier park at one or more points along a street and make (small) loops to addresses on opposite sides of the street from each other.

h. No such subcategories have been identified.

i. The pool of costs to which the variability factor applies includes both loops and dismounts, and the variability factor must be defined in an analogous manner to the greatest extent practical. As indicated in my response to ADVO/USPS-T19-9, 3 of the 4 categories possess inherent variability characteristics that are used to derive the composite figure of 0.4099. This approach maximizes the utilization of available information to develop the needed variability, and minimizes the use of proxies or other assumptions.

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NAA/USPS-T19-3. Please provide copies of your testimony on behalf of the United Parcel Service in Docket Nos. RM86-2B, R87-1 and R90-1.

Response:

These are on file at the Postal Rate Commission.

Response of Postal Service Witness Nelson to NAA Interrogatories

NAA/USPS-T19-4. Please refer to your response to ADVO/USPS-T19-9.

a. Please explain why the proxy variability figure (0.4099) used for Dismounts Due to Volume/Weight is more appropriate than a proxy variability figure that compares the percentage to volume variability of loops. $(242,294,460/85,273,149+242,294,460)$.

Response:

a. There is no theoretical or operational foundation for such a proxy because (1) the causal relationship between dismounts and volume/weight is known to be different from the causal relationship between loops and volume/weight; and, (2) the ratio of $(\text{dismounts due to volume/weight})/(\text{total dismounts})$ is known to be much lower than the *corresponding ratio for loops*.

DECLARATION

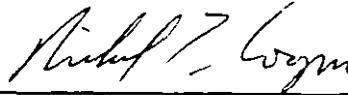
I, Michael A. Nelson, declare under penalty of perjury that the foregoing are true and correct, to the best of my knowledge, information and belief.


Michael A. Nelson

Dated: 9/26/97

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.



Richard T. Cooper

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September 25, 1997