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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HATFIELD TO INTERROGATORIES OF DAVID B. POPKIN (DBP/USPS—43, 44(A), 46–47, REDIRECTED FROM THE POSTAL SERVICE)

The United States Postal Service hereby provides responses of witness Hatfield to the following interrogatories of David B. Popkin: DBP/USPS–43, 44(a), 46–47, received by the Postal Service on September 10, 1997, and redirected from the Postal Service.

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 29, 1997

RESPONSE OF POSTAL SERVICE WITNESS HATFIELD TO
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DBP/USPS-43. In column 8 of Exhibit USPS-16A, it is indicated that the Parcel Post Unit Transportation Costs for Zones 1 through 5 are $1.7521.

(a) Confirm, or explain if you are unable to do so, that the value utilized for Docket No. MC97-2 was 1.5021.

(b) What is the justification for a 16.6% increase in only a few months.

RESPONSE:

(a) Confirmed.

(b) In Docket No. MC97-2, postal owned vehicle transportation costs were accounted for in the rate design of parcel post through the per piece cost. These costs are more closely related to transportation costs as opposed to per piece costs, and they have been accounted for in my current analysis. This does not represent an increase in total costs, but an increase in the transportation component of Parcel Post costs and a decrease in the per piece costs.

In addition, differences between Docket No. MC97-2 costs and the current docket reflect changes for a whole year. In Docket No. MC97-2 the test year was 1997 and in this docket the test year is 1998. Therefore, among other changes, the cost differences between my Docket No. MC97-2 testimony and my testimony in this docket reflect an additional year of forecasted cost changes.

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DBP/USPS-44.

(a) Confirm, or explain if you are unable to do so, that the greater distance between BMCs will necessarily result in a greater Great Circle Distance (GCD).

RESPONSE:

(a) As is explained on page 7 of my testimony, holding all else constant, increasing the distance between BMCs for a given inter-BMC parcel will increase the GCD of that parcel.

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DBP/USPS-46.

(a) Confirm, or explain if you are unable to do so, that the GCD associated with Zone 5 is 601 to 1000 miles and Zone 6 is 1001 to 1400 miles.

(b) Confirm, or explain if you are unable to do so, that if I have two post offices, A and B, whose three-digit locations are 900 miles apart that the postage for a parcel would be calculated at the fifth zone.

(c) Confirm, or explain if you are unable to do so, that if the BMCs that serve post offices A and B are on an east-west line and 1000 miles apart, and office A's three-digit prefix is located 50 miles east of the westenmost BMC and office B's three-digit prefix is located 50 miles west of the easternmost BMC, then the conditions in subpart b above would be met and the parcel would be charged the fifth zone rate for a BMC distance of 1000 miles.

(d) Confirm, or explain if you are unable to do so, that if I have two post offices, C and D, whose three-digit locations are 1050 miles apart that the postage for a parcel would be calculated at the sixth zone.

(e) Confirm, or explain if you are unable to do so, that if the BMCs that serve post offices C and D are on an east-west line and 950 miles apart, and office C's three-digit prefix is located 50 miles west of the westenmost BMC and office D's three-digit prefix is located 50 miles east of the easternmost BMC, then the conditions in subpart d would be met and the parcel would be charged the sixth zone rate for a BMC distance of 950 miles.

(f) Confirm, or explain if you are unable to do so, that the conditions described above would produce an example of a greater distance between BMCs for a lesser distance between post offices (actually their three-digit location).

(g) Confirm, or explain if you are unable to do so, that if I have two post offices, E and F, which are served by the same BMCs as offices A and B above and whose three-digit locations are 1100 miles (E being 50 miles west of the westernmost BMC and F being 50 miles east of the easternmost BMC) apart that the postage for a parcel would be calculated at the sixth zone.

(h) Confirm, or explain if you are unable to do so, that the same BMC distances exist for both the A to B parcel as well as the E to F parcel.

(i) Based on the above, namely, A-B has a greater BMC distance but a lesser not greater GCD than C-D as well as A-B and E-F have the same BMC distance but a different GCD, how do you reconcile the evaluation of long distance costs which is

based on the concept of a greater distance between BMCs will necessarily have a greater GCD?

RESPONSE:

(a) Confirmed.

(b) If the GCD measurement for a piece of Parcel Post is 900 miles, then the postage for that parcel should reflect postal zone five.

(c) Not confirmed. Postal zone is determined as described on page 5 of my testimony. The origin for the GCD calculation is based on the location of the origin post office or facility, and the destination is based on the delivery address of the parcel. Therefore, regardless of the path the parcel takes through the transportation network, postal zone is determined by the GCD between origin and destination. If in your example, the GCD between origin and destination is 900 miles, the parcel will be in the fifth postal zone based on the GCD and not the distance between BMCs.

(d) If the GCD measurement for a piece of Parcel Post is 1,050 miles, then the postage for that parcel should reflect postal zone six.

(e) Not confirmed. As stated in my response to part (c) of this question, postal zone is would not be determined based on the distance between BMCs. In the example given, the parcel would be in the sixth postal zone based on a GCD measurement of 1,050 miles.

(f) Confirmed. Hypothetical examples can be contrived in which parcels with GCD measurements that are close to a zone boundary can have a lower postal zone and greater distance between BMCs. However, this does not change the fact that

since the inter-BMC movement is from the vicinity of the origin point towards the destination point, greater distance between BMCs is related to greater GCD.

Because the analysis contained in my testimony allocates transportation costs to zones and does not calculate the costs associated with individual pieces of Parcel Post, it is more accurate to examine average distances by zone rather than hypothetical examples of individual parcels. Within this framework, I would argue that the average distance between BMCs for parcels in each zone increases with zone.

(g) If the GCD measurement of a parcel originating at post office E and addressed for delivery within the service area of post office F is 1,100 miles then the parcel will in postal zone six.

(h) Confirmed.

(i) As stated in my response to part (f) of this question, the hypothetical situations described in this question do not contradict the fact that increased distance between BMCs for an inter-BMC parcel will necessarily imply an increased GCD provided all else is held constant. Compare the parcel that travels between offices C and D with the parcel that travels between offices E and F. In this example, the distance between offices and BMCs is constant, i.e., the easternmost office is 50 miles east of the easternmost BMC and the westernmost office is 50 miles west of the westernmost BMC. In this example, the increased BMC distance (950 for the C-D parcel and 1,000 for the E-F parcel) leads to an increased GCD measurement (1,050 for the C-D parcel and 1,100 for the E-F parcel).

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Because the analysis contained in my testimony allocates transportation costs to zones and does not calculate the costs associated with individual pieces of Parcel Post, it is more accurate to examine average distances by zone rather than hypothetical examples of individual parcels. Within this framework, I would argue that the average distance between BMCs for parcels in each zone increases with zone.

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DBP/USPS-47. It was indicated that a new method has been adopted from previous rate cases of allocating parcel post transportation costs to the different zones. This reallocation has apparently resulted in greatly increased rates for the lower zones and no increase for the upper zones. If the total transportation costs were the same and the reallocation resulted in higher costs for the lower zones, why didn't they result in lower costs for the upper zones?

RESPONSE:

The new method of allocating Parcel Post transportation costs to zones described in my testimony did result in higher costs for the lower zones and lower costs for the higher zones.

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.

Anne B. Reynolds

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
September 29, 1997

DECLARATION

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

Philip A. Hatfield

Dated: 9-29-97