

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 WADE TO INTERROGATORIES OF
THE DIRECT MARKETING ASSOCIATION, INC.
(DMA/USPS-T20-1-2)

The United States Postal Service hereby provides responses of witness Wade to the following interrogatories of the Direct Marketing Association, Inc.: DMA/USPS-T20-1-2, filed on September 15, 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



Eric P. Koetting

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September 29, 1997

**RESPONSE OF USPS WITNESS WADE TO INTERROGATORY OF THE
DIRECT MARKETING ASSOCIATION**

DMA/USPS-T20-1. Please refer to LR-H-150, Spreadsheet DATA_SUM.XLS, Worksheet Survey Data, Column ED.

- a. Please explain how you know definitively that the capacity of an "Other" truck is the same as a "2T" truck? Please explain fully.
- b. Please confirm that the capacity of a "7/9" truck is the same as the capacity of a "9T" truck.
- c. Please confirm that 7/9 is an abbreviation for a 7/9 Ton truck.

Response:

- a. I find the truck capacities conveniently listed at the head of column EI in data_sum.xls. I do not definitively know that the capacity of an "other" truck is the same as a 2-ton vehicle. However, the common truck capacities were either listed on the form or the survey respondent could write in the capacity -- on the form it is written as "other (list)".
- b. Confirmed.
- c. Confirmed.

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DMA/USPS-T20-2. Please refer to LR-H-150, Spreadsheet DATA_SUM.XLS, Worksheet Survey Data, Column FV.

- a. Please confirm that the value of COMPLOAD for facilities that were used in your regression varies from 13.2 percent to 100 percent.
- b. Is it likely that the average capacity utilization for a truck type and trip type at a facility for a full year for a truck when it leaves its origin facility would be 13.2 percent? Please explain fully.
- c. Is it likely that the capacity utilization for a trip type and truck type at one facility averaged over all stops for a full year would be 100 percent? Please explain fully.

Response:

- a. Confirmed for the values of COMPLOAD in column GA in spreadsheet data_sum.xls. A word of caution, this concept is just the simple average across all non-blank cells of numbers entered into the COMPLOAD column without consideration for the route frequency (days per year) or the mileage of the route. COMPLOAD is not directly used in the regressions, but the values for the individual routes are used to compute CFM. The sum of CFM across all routes yields facility CFM which was used in the regression models.
- b. The 13.2% value referenced in the interrogatory is inappropriately low. The facility associated with this value is Facility 47. This is because in computing the number reported in data_sum.xls for Facility 47, several zero rows (see answer a above) were included which caused the simple average value to be lower than reflective of the 14 routes for this facility. Ten of the routes have a load factor value of 10% in the spreadsheet, fac_47.xls. The remaining 4 routes have a reported load factor of 100%. Making a direct calculation for these 14 routes (excluding the zero rows) yields $[10 \times 10\% + 4 \times 100\%] / 14$ or 35.7%. Since

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no actual COMPLOAD values are as low as 13.2%, I would say such a value is somewhat unlikely, since the facilities included in the final sample do not have values that low.

Upon double checking the 10% load factor entered for 7-ton trucks, I found an apparent transcription error in the reported load factor entered into the spreadsheet calculations. The survey form value for 7-ton trucks is actually 100% (see cell h46 of sheet f47 of the spreadsheet fac_47.xls). Correcting the load factor value in the spreadsheet calculations makes a substantial change in the CFM for Facility 47 from 40,027 to 207,865. Correcting the CFM value and re-estimating the preferred model from LR-H-261 (the Restricted Translog model on page 13 of the library reference with a volume variability of 64.77%) makes what I still consider to be only a minor change in the estimated volume variability. After correction, the estimate is 67.11%. Even with a substantial error in the calculation of CFM for this facility, the volume variability shows little change. Indeed, over several revisions of data, the estimate for volume variability has been quite robust. The original estimate used in developing the base year variability was 65.45%. Appendix F summarized results after deleting 4 observations with data problems, and led to a variability of 66.92%. Library Reference H-261, described a recalculation of several of the data values for CFM, AVGMPH and AVGDIST and resulted in an estimate of 64.77%. The range of volume variability is less than three percentage points. Extending the adjustment for BMC spotter usage (using the methodology as shown in Workpaper F, Exhibit 2 Revised), yields a volume variability for Cost Segment 8 of 61.35%.

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- c. I find it unlikely that the precise capacity utilization for a trip type and truck type, averaged over all stops for a full year, would be exactly 100%. However, it is conceivable that capacity utilization could be high enough that a survey respondent would provide an estimate of 100%. Average load factors could be 88%, for example. In responding to the survey, a rounded value of 100% might be appropriately selected by the respondent.

DECLARATION

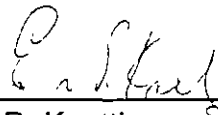
I declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

Date: 9/29/97

St. M. Walsh

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.



Eric P. Koetting

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