

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

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF NASHUA, DISTRICT, MYSTIC & SEATTLE
REDIRECTED FROM WITNESS FRONK
(NDMS/USPS-T32-47- 52)**

The United States Postal Service hereby files its responses to the following interrogatories of Nashua, District, Mystic & Seattle, dated September 16, 1997: NDMS/USPS-T32-47 through 52.

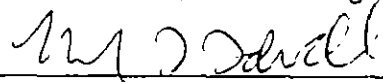
Redirected from witness Fronk to the Postal Service, each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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September 30, 1997

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NDMS/USPS-T32-47. Please refer to the attachment to your response to MMA/USPS-T32-1.

- a. According to that response, in Base Year 1996 the number of prebarcoded single piece Non-Presort First-Class flats that weighed no more than 1 ounce amounted to 2,842,000. Were all of these flats nonstandard and subject to the surcharge? Please explain any answer that is not an unconditional affirmative.
- b. Were all of the 412,482,000 Non-Presort ZIP + 4 pieces letter-shaped? If not, please indicate the number of parcels and flats by weight increment.
- c. Under Non-Presort, the first row is identified as "Letters/Non-letters." For each ounce increment of that row shown in the attachment, please provide a breakdown showing separately the number of letters, flats, and parcels.
- d. Under 3/5 Presort, the second row is identified as "Non-Auto Presort-Non-letters." For each ounce increment of that row shown in the attachment, please provide a breakdown showing separately the number of flats and parcels.
- e. Under 3/5 Presort, the fourth row is identified as "3/5 Digit Residual." For each ounce increment of that row shown in the attachment, please provide a breakdown showing separately the number of letters, flats, and parcels.
- f. Under Carrier Route, the second row is identified as "non-letters." Please provide a breakdown similar to that specified in (d), above.
- g. Under Carrier Route, the third row is identified as "Residual." Please provide a breakdown similar to that specified under (e), above.

RESPONSE:

- (a) Yes, all of these pieces were nonstandard and subject to the surcharge.
- (b) Yes.
- (c)-(g) The requested data are shown in the attachment. These data are approximate and based both on 1996 mailing statement data and domestic RPW data. Please recognize that the First-Class Mail stream is overwhelmingly letters, with relatively few flats and parcels. As a result, the data in some of the cells in the attachment are relatively "thin" when the data are disaggregated both by shape and by weight increment. For example, there are very few carrier route parcels in the residual category.

As discussed in the response to NDMS/USPS-T32-45, the 1996 volume of one-ounce parcels derivable from this table (41.4 million pieces) is different than the figure of 27.2 million nonstandard parcels provided in response to NDMS/USPS-T32-29. Similarly, the 1996 volume of one-ounce flats derivable

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RESPONSE to NDMS/USPS-T32-47 (continued)

from this table (358.3 million pieces) is different than the 282.4 million flats provided in response to NDMS/USPS-T32-29. As was the case with parcels, this difference may be due to postal personnel not recognizing a piece as nonstandard during acceptance or data collection. It may also be due to a shape misclassification on a mailing statement that is not caught during acceptance.

Note that even though these numbers differ for flats and parcels, their relative relationship is approximately the same, that is, in both the attached table and the response to NDMS/USPS-T32-29, the volume of one-ounce parcels is about 10-12 percent of the volume of one-ounce flats. This relative stability is significant because it is the shape mix percentages in NDMS/USPS-T32-29, not the absolute volumes by shape, that were used to revise the shape mix data in Exhibit USPS-43C.

Base Year 96 First Class Pieces (thousands)												
Distribution of Pieces by Weight Increment (ounces)												
	1	2	3	4	5	6	7	8	9	10	11	Total
Non-Presort												
Letters	46,853,930	1,860,524	305,455	81,977	25,383	9,023	4,458	1,684	880	357	695	49,144,367
Flats	292,120	1,290,925	843,810	522,874	358,457	249,391	179,655	137,469	105,648	75,028	55,987	4,111,364
Parcels	36,028	77,273	75,625	56,515	45,204	37,245	31,007	27,622	24,768	20,927	17,290	449,505
ZIP+4	394,188	17,388	904	1	0	0	0	0	0	0	0	412,482
Prebarcoded Flats	2,842	10,638	7,680	2,983	4,262	1,068	954	640	799	839	337	33,041
Subtotal	47,579,108	3,256,749	1,233,474	664,350	433,305	296,728	216,075	167,416	132,095	97,151	74,310	54,150,759
3/5-Presort												
Non-Auto Presort Letters	7,681,125	219,910	70,377	9,266	1,826	625	357	149	92	47	76	7,983,849
Non-Auto Presort - Non-Letters												
Flats	27,509	74,082	90,135	31,498	6,387	4,730	2,851	2,230	1,731	1,659	845	243,657
Parcels	4,870	350	2,657	146	73	136	78	20	23	10	18	8,382
Basic Automation	827,401	18,623	2,682	100	0	0	0	0	0	0	0	848,806
3/5-Digit Residual												
Letters	1,744,536	62,627	7,481	1,325	195	98	114	56	23	31	59	1,816,545
Flats	14,305	25,551	19,855	6,089	2,399	2,655	2,044	2,082	1,807	1,527	869	79,183
Parcels	266	46	194	48	55	28	63	11	2	15	33	761
ZIP+4 Letters	617,947	38,954	1,004	0	0	0	0	0	0	0	0	657,904
Prebarcode 3-Digit	15,064,606	161,410	14,940	197	0	0	0	0	0	0	0	15,241,153
Prebarcode 5-Digit	9,037,688	195,297	18,189	241	0	0	0	0	0	0	0	9,251,414
Prebarcode Flats	15,064	34,131	15,959	6,736	3,600	1,854	1,295	1,322	861	462	609	81,894
Subtotal	35,035,317	830,981	243,472	55,645	14,536	10,126	6,802	5,870	4,538	3,751	2,508	36,213,548
Carrier Route												
Letters	2,685,450	128,634	11,246	821	575	0	8	0	0	0	0	2,826,733
Non-Letters												
Flats	6,484	5,361	1,259	579	441	506	47	56	24	2	13	14,772
Parcels	193	1	139	3	0	0	1	1	0	0	0	339
Residual												
Letters	1,734	63	0	0	0	0	0	0	0	0	0	1,796
Flats	2	2	0	0	0	0	0	0	0	0	0	4
Parcels	1	0	0	0	0	0	0	0	0	0	0	1
Subtotal	2,693,863	134,060	12,644	1,403	1,015	506	56	57	24	2	13	2,843,645

Note Total pieces are from the 1996 Billing Determinants (USPS LR H-145) The above distribution of the total pieces among weight increments is approximate and is based on 1996 mailing statements, except for non-presort letters/non-letters which is based on domestic RPW data

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NDMS/USPS-T32-48. Assume that the Postal Service wanted to study the cost of handling nonstandard pieces of First-Class Mail that weigh less than one ounce.

(a) What is the average number of IOCS tallies per 100,000,000 pieces of First-Class Mail?

b. How many IOCS tallies would the Postal Service be likely to have for 325.6 million single pieces of nonstandard First-Class Mail described in response to NDMS/USPS-T32-29?

c. When an IOCS tally is taken and an individual piece of First-Class Mail is being handled, does the information that is recorded about the piece of mail distinguish between standard and nonstandard pieces of First-Class Mail?

d. In order for the IOCS to contain a sufficient number of pieces of nonstandard First-Class Mail to enable the development of an minimally reliable estimate of unit cost, how many tallies of such no [sic] standard pieces would the IOCS have to include? Please interpret "minimally reliable" as the minimum number of sample points that the Postal Service would consider acceptable for the purposes of such estimation.

RESPONSE:

(a) There are 48,634 direct mail processing tallies for First-Class Mail in FY 1996. These tallies are unweighted, and therefore do not reflect the different sampling rates used for IOCS sampling. Given the total First-Class volume of 98,216,000,000, this results in 49.5 tallies per 100,000,000 pieces of First-Class Mail

(b) This information is not available. IOCS does not collect the information on standard and nonstandard pieces that you request.

(c) No.

(d) Since IOCS does not record whether a piece is standard or nonstandard, IOCS does not have any estimates of nonstandard piece costs. As a result, the Postal Service does not know the sufficient number of pieces to ensure a "minimally reliable" estimate of unit cost.

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NDMS/USPS-T32-49.

- a. Aside from the IOCS data, does the Postal Service have any other source data (e.g., MODS data, mail flow models, etc.) that could be used to study the cost of processing nonstandard pieces of First-Class Mail weigh less than one ounce?
- b. Unless your answer is an unqualified negative, please furnish a listing of all available data sources for conducting a study that focused on the cost of processing nonstandard pieces under one ounce.
- c. Indicate how each such data source might serve as the basis for or contribute to such a study.
- d. Assess the feasibility of conducting a study that focused on the cost of processing nonstandard pieces under one ounce from the theoretical and statistical point of view.

RESPONSE:

(a) No.

(b)-(c) N/A

(d) Please see USPS-ST-43, page 2 line 28 through page 3 line 8.

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NDMS/USPS-T32-50 Please explain your view on how weight affects the cost of handling First-Class Mail. That is, explain qualitatively the different ways that, in your view, weight can directly or indirectly affect the cost of handling First-Class Mail.

RESPONSE:

Weight has a variety of implications on mail processing costs. These implications are discussed by witness Hatfield (see his response to MMA/USPS-T-25-2) and witness Smith from Docket No. MC95-1 (see his response to MMA/USPS-T-10-2B).

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NDMS/USPS-T32-51. Please explain qualitatively how, in your view, shape affects the cost of handling First-Class Mail vis-a-vis the effect that weight has on the cost of handling it (all other things equal, of course).

RESPONSE:

The impact of shape on mail processing costs can differ for different weight increments. That is, the cost difference between letters and flats for pieces less than one ounce could be different than the cost difference between letters and flats which are 5 to 6 ounces as the following example illustrates. While higher weight generally leads to greater costs, the costs associated with especially light flats, which are flimsy, can be high, as indicated in witness Moden's response to NDMS/USPS-T32-18. To the degree flats which are less than one ounce have a tendency to be flimsy, and therefore non-machinable, the cost difference between letters and flats of this weight may be high. However, for letters and flats between 5 to 6 ounces, the differences may be less since letter mail of that weight is not automatable. Consequently, while the cost difference could generally increase with weight, it may conversely be highest for pieces that are less than one ounce. For detailed descriptions of the different processing streams and the costs associated with processing different shapes of First-Class mail, please see the testimonies of witnesses Hatfield (USPS-T-25, for letters) and Seckar (USPS-T-26, for flats).

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NDMS/USPS-T32-52. Your response to NDMS/USPS-T32-29(d) states that "approximately 90.4 percent of Base Year 1996 nonstandard First-Class Mail is estimated to have paid the nonstandard surcharge."

- a. What is the source of the data underlying this estimate?
- b. In what year(s) were these data collected?
- c. Please provide the raw data (i.e., the numerator and the denominator) used to derive the 90.4 percent.
- d. What are the statistical confidence limits on the 90.4 percent estimate?

RESPONSE:

- (a) The Domestic RPW Sampling System.
- (b) FY 1996.
- (c) Numerator = 294,352,000; denominator = 325,611,000.
- (d) The statistical confidence limits on the 90.4 percent figure are being calculated. A revised response to this question will be filed when the number is available.

CERTIFICATE OF SERVICE

I hereby certify that I have this date 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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