

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KAY
TO INTERROGATORY OF ADVO, INC.,
REDIRECTED FROM WITNESS HARAHUSH
(ADVO/USPS-T5-1)
(June 1, 2005)

The United States Postal Service hereby provides the response of witness Kay to the following interrogatory of Advo, Inc., filed on May 18, 2005: ADVO/USPS-T5-1; this interrogatory was redirected from witness Harahush.

The interrogatory is stated verbatim and is followed by its response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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REDIRECTED FROM WITNESS HARA HUSH

ADVO/USPS-T5-1. Please refer to the table attached to this document. It is derived from the data in witness Meehan's base year spreadsheets. It shows an apparent large mismatch between National Mail Count percentages of non-DPS/SS letters vs. DPS letters and between flats and boxholders. Can you explain these mismatches?

Attachment to Interrogatory ADVO-USPS-T5-1

	National Mail Count Volume Results				RCS Results		RCS Total W/ NMC %s (7)**	Diff (8) = (7) - (5)
	Eval Rts 92.12%	Other Rts 7.88%	Average Weekly Vol	Percentage Avg Wk Vo	RCS (5)	% RCS (6)		
	(1)	(2)	(3)*	(4)	(5)	(6)		
Letters	7,848	4,312	7,570	25.4%	10,493,597	20.2%	13,175,137	2,681,539
Flats	7,045	3,103	6,734	22.6%	13,020,637	25.1%	11,720,910	(1,299,727)
Parcels	452	218	434	1.5%	738,118	1.4%	754,958	16,840
Boxholders	1,826	809	1,746	5.9%	2,037,468	3.9%	3,038,180	1,000,713
DPS	13,572	4,923	12,891	43.2%	25,117,386	48.4%	22,436,538	(2,680,848)
SS	414	671	434	1.5%	474,311	0.9%	755,794	281,483
Totals	31,157	14,036	29,808	100.0%	51,881,517	#####	51,881,517	0

* Column(3) = .9212 * Column(1) + .0788 * Column(2)
 ** Column(7) = Column(5) Total * Column(6)

Sources: LR USPS-K-5, CS10.xls, Inputs and Inputs DK
 Payroll weights for Eval and Oth Rts are 92.12% and 7.88%

RESPONSE:

Please note that the National Mail Count (NMC) average weekly pieces for PQ 1 – 3 using the FY 2003 NMC and the average weekly pieces for PQ 4 using the FY 2004 NMC are not additive. A weighted average of the two would have been a better means for aggregating the two, although even that method has its drawbacks.

More importantly, the NMC and RCS are different systems. NMC data are used in rural carrier costing to determine the amount of cost going to each evaluation category (i.e., letter, flats, parcel, DPS, etc.), because rural carriers are paid based on the most recent evaluation for their routes. RCS ensures that the distribution of cost within each evaluation category reflects the current mail mix.

The NMC data used in FY 2004 costing for PQ 1 to PQ 3 contain the most recent evaluation for each route up to and including the FY 2003 NMC from Feb. – Mar. 2003.

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It includes route evaluations from FY 2003 and FY 2002. The NMC data used for PQ4 contain the most recent evaluation for each route up to and including the FY 2004 NMC from Feb. – Mar. 2004. It includes route evaluations that were taken between FY 2002 and FY 2004. See the response to ADVO/USPS-T18-1.

RCS, on the other hand, is a sampling system used to develop distribution keys to distribute cost in each evaluation category to mail classes. RCS samples are taken throughout the current year so the distribution keys reflect the current mail mix.

Given the above, the assumption that the proportion of pieces by shape for NMC data from FY 2002 through FY 2004 Feb. – Mar. evaluations should exactly match the proportion of pieces by shape for FY 2004 RCS is not supported.