BEFORE THE
POSTAL RATE COMMISSION   RECEIVED
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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 MCGRANE TO INTERROGATORIES OF
THE ALLIANCE OF NONPROFIT MAILERS
(ANM/USPS-ST44—1-8)

The United States Postal Service hereby provides responses of witness McGrane

to the following interrogatories of the Alliance of Nonprofit Mailers: ANM/USPS–

ST44—1-8, filed on November 4, 1997.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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November 12, 1997

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MCGRANE
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ANM/USPS-ST-44-1. In your supplementary testimony USPS-ST-44, please
refer to USPS-44A (LR-H-109), Table 1. The data in column 6 are referenced
to LR-H-106. For the two pages of Table 1 that refer to Nonprofit Mail, (i.e.
pp.6-7), and for each entry in column 6, please provide a precise reference to
the page, row and column in LR-H-106. If the entries in Table 1, column 6
of LR-H-109 do not appear in LR-H-106, please indicate how they are
computed, and provide complete references to all underlying data needed for
all requisite computations.

RESPONSE:

Please see the response to NAA/USPS-19, subparts (a) and (b).

ANM/USPS-ST-44-2. Please indicate how the fractional amounts shown on the last (unlabeled) row of Table 1, in columns 7, 8 and 9 are derived or computed; i.e., assuming that the number shown in the "Total" row represents the numerator, what is the denominator, and the source of the denominator?

RESPONSE:

The denominator is the entry in column 6 of the "Total" row.

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ANM/USPS-ST-44-3.
    a. How many tallies underlie development of the cost of Standard A
       Nonprofit ECR Letters shown in Table 1, p. 6?
    b. How many tallies underlie development of the cost of Standard A
       Nonprofit ECR Non-Letters shown in Table 1, p.7?
    c. What is the standard deviation of the unit cost of Nonprofit Mail
       Walk-sequence and non-walk-sequence letters and non-letters?

RESPONSE:

a. There are 161 Standard (A) Nonprofit ECR letter mail processing tallies
   (activity code 1330).

b. There are 70 Standard (A) Nonprofit ECR nonletter mail processing tallies
   (activity codes 2330, 3330, 4330).

c. It is not possible to calculate the standard deviation of the unit cost,
   because the mail volume estimates are derived from a non-sampling
   system.

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ANM/USPS-ST-44-4. Do the tallies used to develop the costs in Table 1
include tallies for supervisors and technicians (Cost Segment 2), or are they
confined to tallies for clerks and mailhandlers (Cost Segment 3)? Please
explain why tallies for Cost Segment 2 are or are not included.

RESPONSE:

The analysis develops costs for clerk and mailhandler mail processing costs

only; therefore, only Cost Segment 3 tallies were used directly in the

analysis. Cost Segment 2 tallies are used in the development of the costs

that are used in the construction of piggyback factors incorporated in the

variable mail processing costs (column 6), so they are included in the

analysis indirectly.

ANM/USPS-ST-44-5. Are the Standard A ECR tallies used to develop Table
1 in USPS-44A identical to the Standard A ECR tallies used for the study in
USPS-44B? If not, please describe all differences in the two sets of tallies.

RESPONSE:

Yes, the starting point for both analyses is the FY96 IOCS tally file, available

as Library Reference H-23. The analysis in USPS-44B applied some edits to

the data to insure its suitability for studying the weight/cost relationship that

were not needed for the study in USPS-44A. Please see the responses to

VP-CW/USPS-ST44-15 and VP-CW/USPS-ST44-16 for a description of the

edit process used for the analysis presented in USPS-44B.

ANM/USPS-ST-44-6.

a. Please describe all edits and other checks which Christensen
Associates performed on the IOCS tallies received from the Postal
Service.

b. Please account for all tallies that were deleted from the original set
of tallies received from the Postal Service – i.e., state how many
were deleted, and explain why they were deleted.

c. Please account for all tallies that were or could be considered
questionable (e.g., had unusual entries, such as weight of Standard
A Mail exceeding 16 ounces), but were nevertheless left in the
database that was used to develop Table 1.

RESPONSE:

a.-c. It appears that this question refers to Table 1 of Exhibit USPS-44A, in

which case no edits were performed and no tallies were deleted. For a

description of the edit procedures used for Exhibit USPS-44B, please see my

response to VP-CW/USPS-ST44-15. For information on the number of

tallies that were not included in the analysis, please see my response to VP-

CW/USPS-ST44-16.

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ANM/USPS-ST-44-7. Please refer to USPS-44A, p.2 where you state that "this approach is conservative in the sense that it assigns to walk-sequence costs which have the possibility of being caused by walk-sequence mail." Please explain what you mean by "the possibility of being caused by walk-sequence mail." Specifically, what other possibilities exist, and what is the likelihood that those possibilities might occur?

RESPONSE:

I am told that some data collectors may have misidentified as detached address cards cards that are attached to the face of a mail piece. To the extent that this occurred in FY96, my analysis would accordingly include the costs for these tallies in the walk-sequence category, and thus overstate these costs and understate non-walk-sequence costs.

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ANM/USPS-ST-44-8.

> a. How many tallies in the study used to develop Table 1 in USPS-
> 44A were a counted mixed mail tally?
> b. Please describe all entries in an IOCS mail processing tally that
> would identify and distinguish a mixed-mail tally from a direct non-
> mixed mail tally.
> c. Please provide a legend which explains all entries that can be
> entered for counted mixed-mail tallies. That is, if the tally taker is
> instructed to enter some alpha-numeric combination, please explain
> what each possible entry means in terms of the counted mixed
> mail.

RESPONSE:

a. There are 54 counted mixed item tallies with Standard (A) ECR direct

activity codes. The counted mixed item tallies were identified by non-

blank entries in IOCS field F9253B. See the hardcopy documentation to

Library Reference H-23 for information on the coding of this field.

b. Using witness Degen's classification of tallies, as described at page 9 of

USPS-T-12 and page II-7 of Library Reference H-146, a "direct non-mixed

mail tally" is a tally for which the employee is sampled handling a single

piece of mail, or an item or container consisting of identical mail, and a

direct activity code is assigned to the tally based on the IOCS question 23

response. The type of mail being handled (i.e., piece/item/container) is

recorded in field F9213. Identical mail items may be identified using IOCS

field F9216, and identical mail containers may be identified using field

F9221. See the hardcopy documentation to Library Reference H-23 for

information on the coding of these fields. Other tallies handling mail are

mixed-mail tallies by definition. Note that there are "direct mixed-mail tallies" of employees handling mixed-mail items that are subject to the "Top Piece Rule."

c. For data entry procedures for counted mixed-mail tallies, see the instructions to IOCS questions 21b (Library Reference H-49, pages 88-91, especially items 12-18 and 12-19) and 24 (Library Reference H-49, pages 133-134). See Tr. 12/6302 for references to the IOCS question 24 volume data and processing procedures.

DECLARATION

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

Nov. 12, 1997

Michael R. McGrane   Date

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.

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