

# DOCKET SECTION

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

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POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

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POSTAL RATE AND FEE CHANGES, 1997

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Docket No. R97-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO NASHUA, DISTRICT, MYSTIC & SEATTLE INTERROGATORIES  
REDIRECTED FROM WITNESS DANIEL  
(NDMS/USPS-ST43-2e(ii)-(g)(iii), 3a(ii)-(vi), 16)**

The United States Postal Service hereby files its responses to the following interrogatories of Nashua, District, Mystic & Seattle, dated November 5, 1997:

NDMS/USPS-ST43-2e(ii)-(g)(iii), 3a(ii)-(vi) and 16.

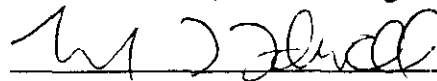
Redirected from witness Daniel to the Postal Service, each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking



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November 20, 1997

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
INTERROGATORIES OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,  
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC. (NDMS)**

**NDMS/USPS-ST43-2.**

Please refer to Exhibit USPS-43C (Nonstandard Surcharge Costs Using New Volume Shares). The source of the new data identifying volume and percent of nonstandard pieces by shape is stated to be "witness Fronk in response to NDMS/USPS-T32-29 (September 9, 1997)." See USPS-ST-43, p. 1, n. 1.

- a. Do you believe that these new data are accurate?
- b. If you have questions about their accuracy, do you plan any update to your testimony with accurate (or more accurate) data?
- c. Please confirm that your adopted response to NDMS/USPS-T32-29 (September 9, 1997) states that there were **24.9 million** First-Class nonstandard **single piece** parcels, and **27.2 million total** First-Class nonstandard parcels in Base Year 1996, and that these data were based on domestic RPW data.
- d.
  - (i) Please confirm that the Postal Service's response to NDMS/USPS-T32-45 (September 26, 1997) states that there were **41.4 million** total First-Class nonstandard parcels during Base Year 1996, based on domestic RPW data.
  - (ii) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-45 when you adopted other related responses (September 30, 1997).
  - (iii) Will you adopt the Postal Service's response to NDMS/USPS-T32-45 at this time? If not, will any other witness in this case explain the basis of, and vouch for the accuracy of, the response to NDMS/USPS-T32-45?
- e. The Postal Service's response to NDMS/USPS-T32-45 (September 26, 1997) attempts to explain the difference between the volumes of First-Class nonstandard one-ounce parcels which you utilized in your testimony, and those which it then reported to NDMS by saying that "the difference may be due to postal personnel not recognizing a piece as nonstandard during acceptance or data collection. The response said that it may also be due to a shape misclassification on a mailing statement that is not caught during acceptance. Since the First-Class parcel data are relatively 'thin,' the impact of any possible misclassification is magnified in the data."
  - (i) Do you agree with this rationale for the difference?
  - (ii) What Postal Service statistical data collection systems are employed in collecting the data reported in the two volume estimates?
  - (iii) How many First-Class single-piece parcels would you expect to be entered on, or in conjunction with, a mailing statement? What other single-piece First-Class Mail is entered on a mailing statement?
  - (iv) Which estimate is more accurate? Please explain your answer.
  - (v) How does the inability of postal personnel to identify a piece properly as nonstandard during acceptance or data collection affect each of the two volume figures?
  - (vi) If errors by trained postal personnel can create a 45 percent swing in volume data, how much confidence is it appropriate to have in the data? Please explain your answer.

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- (vii) Please provide instructions or definitions identifying which mail pieces are to be reported on the Domestic RPW data as single-piece First-Class nonstandard pieces. Have these instructions/definitions changed since the data were first collected?
  - (viii) How could minor errors be magnified by thinness of the data?
- f. Your adopted response to NDMS/USPS-2 states that the 1996 volume First-Class single-piece nonstandard parcels was **36.0 million**. Please reconcile this estimate with other estimates of 41.4 million (provided by the Postal Service) and 27.2 million (which you adopted).
- g. The Postal Service's response to NDMS/USPS-T32-44 states that the First-Class nonstandard parcel volumes for 1994 and 1995 were **14.3 million** and **17.0 million**, respectively.
  - (i) Do these data refer to single piece volume or both single piece, presort, and carrier route volume?
  - (ii) Please explain the jump in volume of First-Class nonstandard parcels from 1994/1995 to base year 1996.
  - (iii) Does this increase lead you to question the accuracy or reliability of your data?
  - (iv) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-44 when you adopted other related responses (September 30, 1997).
  - (v) Will you adopt the Postal Service's response to NDMS/USPS-T32-44 at this time? If not, will any other witness in this case explain the basis of, or vouch for the accuracy of, the response to NDMS/USPS-T32-44?
- h.
  - (i) Please explain why you did not adopt the Postal Service's response to NDMS/USPS-T32-47 when you adopted other related responses (September 30, 1997).
  - (ii) Will you adopt the Postal Service's response to NDMS/USPS-T32-47 at this time? If not, will any other witness in this case explain the basis of, or vouch for the accuracy of, the response to NDMS/USPS-T32-44?

**RESPONSE:**

a-e(i) Answered by USPS-ST-43.

- e.
  - (ii) RPW and Mailing Statements
  - (iii) There are no expectations for how many First-Class single-piece parcels would be entered on, or in conjunction with, a mailing statement as it would vary by business conditions. All permit indicia single piece First-Class Mail has to be paid for on mailing statements.

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(iv) Both estimates are approximations. 27.2 million pieces represents an estimate of the number of parcels that are identified as nonstandard in Postal Service data. 41.4 million pieces represents an estimate of the number of less than one ounce parcels, whether they are specifically identified as nonstandard or not. The USPS response to USPS/NDMS-T32-45 indicates that since one-ounce parcels are nonstandard by definition, one would expect these two numbers to be about the same. The response further states that 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. The response also points out that since the First-Class parcel data are relatively "thin," the impact of any possible misclassification is magnified in the data.

The Postal Service used the percent shares of pieces classified as nonstandard as presented in response to NDMS/USPS-T32-29, because the data in the attachment to the USPS response to USPS/NDMS-T32-47 do not allow us to identify nonstandard one-ounce letters. In other words, one-ounce flats and parcels can be presumed to be nonstandard. This is not so for letters, of course.

(v) As indicated in the second page of the response to USPS/NDMS-T32-47, the inability of USPS personnel to identify a piece as nonstandard in acceptance or data collection cause there to be an understatement of nonstandard pieces, suggesting that the estimate of 27.2 million would be low. The estimate of 41.4 million less than one-ounce parcels should be unaffected by whether or not the piece is identified as nonstandard.

(vi) It is relative relationship that matters, not the absolute level, as indicated in the response to USPS/NDMS-T32-47. The volume of one-ounce parcels reported in both the response to NDMS/USPS-T32-29 and NDMS/USPS-T32-47, 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

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the absolute volumes by shape, that were used to revise the shape mix data in Exhibit USPS-43C.

(vii) There are no explicit instructions, but the definition is the same as in the DMM. See also the response to NDMS/USPS-T32-29.

(viii) Because it is a small estimate, it is more susceptible to fluctuations in sampling or in mailing statement misclassification.

f. The 36.0 million figure is an estimate of less than one-ounce *single-piece* parcels. The 41.4 million figure is an estimate of less than one-ounce *total* parcels. The 27.2 million figure is an estimate of total parcels recorded as nonstandard.

g. (i) All parcels, including single-piece, presort and carrier route.

(ii) The jump of about 10 million parcels may be explained by sampling variation or by one or two new customers. Estimates at this level of detail are approximations.

(iii) No. It is accurate within its level of variation. There is a bigger interval of sampling around these numbers.

g.(iv)-h.(ii) Answered by USPS-ST-43.

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**NDMS/USPS-ST43-3.**

- a. Exhibit USPS-43C (Nonstandard Surcharge Costs Using New Volume Shares) identifies the 1996 volume of First-Class flats weighing one ounce or less as 282.4 million. The Postal Service's response to NDMS/USPS-T32-47 stated that the 1996 volume of First-Class nonstandard flats was 358.3 million. The explanation for the discrepancy was the same explanation given in response to NDMS/USPS-T32-45.
- (i) Do you agree with this rationale for the difference?
  - (ii) What Postal Service statistical data collection systems are employed in collecting the data reported in the two volume estimates?
  - (iii) How many First-Class single-piece flats would you expect to be entered on, or in conjunction with, a mailing statement?
  - (iv) Which estimate is more accurate? Please explain your answer.
  - (v) How does the inability of postal personnel to identify a piece properly as nonstandard during acceptance or data collection affect each of the two volume figures?
  - (vi) If errors by trained postal personnel can create a 27 percent swing in volume data, how much confidence is it appropriate to have in the data? Please explain your answer.
- b. Why did you change the average mail processing unit costs which you report in your testimony (from the average mail processing unit costs reported in LR-H-112 when the case was filed in July) but not the volume and percent of nonstandard pieces by shape (to reflect your response to NDMS/USPS-2)?

**RESPONSE:**

- a. (i) Answered by USPS-ST-43.
- (ii) RPW and Mailing Statements
- (iii) There are no expectations for how many First-Class single-piece flats would be entered on, or in conjunction with, a mailing statement as it would vary by business conditions. All permit indicia single piece First-Class Mail has to be paid for on mailing statements.
- (iv) Both estimates are approximations. 282.4 million pieces represents an estimate of the number of flats that are identified as nonstandard in Postal Service data. 358.3 million pieces represents an estimate of the number of less than one ounce flats, whether they are specifically identified as nonstandard or not. The USPS response to USPS/NDMS-T32-47 indicates that since one-ounce

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flats are nonstandard by definition, one would expect these two numbers to be about the same. The response further states that 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. The response also points out that even though these numbers differ for flats and parcels, their relative relationship is approximately the same.

The Postal Service used the percent shares of pieces classified as nonstandard as presented in response to NDMS/USPS-T32-29, because the data in the attachment to the USPS response to USPS/NDMS-T32-47 do not allow us to identify nonstandard one-ounce letters. In other words, one-ounce flats and parcels can be presumed to be nonstandard. This is not so for letters, of course.

(v) As indicated in the second page of the response to USPS/NDMS-T32-47, the inability of USPS personnel to identify a piece as nonstandard in acceptance or data collection cause there to be an understatement of nonstandard pieces, suggesting that the estimate of 282.4 million would be low. The estimate of 358.3 million less than one-ounce parcels should be unaffected by whether or not the piece is identified as nonstandard.

(vi) It is relative relationship that matters, not the absolute level, as indicated in the response to USPS/NDMS-T32-47. The volume of one-ounce parcels reported in both the response to NDMS/USPS-T32-29 and NDMS/USPS-T32-47, 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.

b. Answered by USPS-ST-43.

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**NDMS/USPS-ST43-16.**

- a. What was the average weight of all First-Class letters for Base Year 1996?
- b. What was the average weight of First-Class nonstandard letters for Base Year 1996?
- c. What was the average weight of First-Class nonstandard flats for Base Year 1996?
- d. What was the average weight of First-Class nonstandard parcels for Base Year 1996?

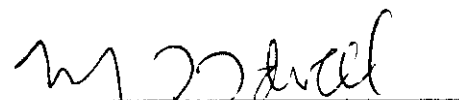
**RESPONSE:**

- a. The average weight of First-Class single piece letter is 0.5 ounce and a presort letter is 0.61 ounce.
- b. The average weight of First-Class single piece nonstandard letters is 0.65 ounce.
- c. The average weight of First-Class single piece nonstandard flats is 0.80 ounce.
- d. The average weight of First-Class single piece nonstandard parcels is 0.49 ounce.



# 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.

A handwritten signature in cursive script, appearing to read "Michael T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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November 20, 1997