

DOCKET SECTION

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

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POSTAL RATE AND FEE CHANGES, 1997

POSTAL RATE COMMISSION
Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS CRUM TO INTERROGATORIES OF NDMS
(NDMS/USPS-T28-27, 28(A), (D), (H), 29(A)-(C), 31(A),
32(A), 33(A), 34(A), 36(A), 37 & 38(A)-(C))

The United States Postal Service hereby provides responses of witness Crum to the following interrogatories of Nashua Photo Inc., et al.: NDMS/USPS-T28-27, 28(a), (d), (h), 29(a)-(c), 31(a), 32(a), 33(a), 34(a), 36(a), 37 & 38(a)-(c), filed on November 7 and 14, 1997. The Postal Service had objected to the first set on November 14, and NDMS filed a motion to compel both sets on November 18. The Postal Service responded on November 21, indicating that it would provide answers to the interrogatories listed above. It hereby does so.

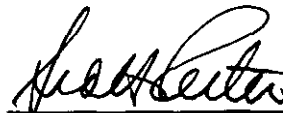
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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November 25, 1997

U.S. Postal Service Witness Charles L. Crum
Response to Interrogatories of NDMS

NDMS/USPS-T28-27.

Please refer to Table 7 of Exhibit K, incorporated into your testimony on October 1, 1997.

- a. Your 'Weight by Entry Discount' data identifies Appendix A as the source. Please identify the document (i.e., Appendix A to what document), page number, and line number where these data can be found, or explain how they can be calculated.
- b. Please provide volumes by entry discount by shape, corresponding to your "Weight by Entry Discount" by shape data in Table 7, identifying the source of these data.

RESPONSE

- a. I inadvertently failed to change the reference when I moved Table 7 into my testimony. Appendix A is contained in Library Reference H-108. I have attached a copy of the subject page for your convenience.
- b. The requested information is attached.

ATTACHMENT TO RESPONSE TO NDMS/USPS - T28-27(a)

Table A-1
FY 1996 Standard Mail (A)
Weight by Entry Discount

	Uncontrolled		Controlled		Total Regular and Nonprofit
	Regular	Nonprofit	Regular	Nonprofit	
Other					
Other Letter - No Entry	708,216	281,225	712,294	271,779	
Other Letter - DBMC	371,402	48,441	373,541	46,814	
Other Letter - DSCF	90,930	44,129	91,454	42,646	
Other Letter - DDU	-	-	-	-	
Other Flat - No Entry	1,046,770	194,880	1,052,798	188,334	
Other Flat - DBMC	841,999	30,696	846,848	29,665	
Other Flat - DSCF	485,455	34,442	488,251	33,285	
Other Flat - DDU	-	-	-	-	
Other Parcel - No Entry	344,110	14,254	346,091	13,775	
Other Parcel - DBMC	103,821	2,004	104,418	1,936	
Other Parcel - DSCF	32,959	1,237	33,149	1,195	
Other Parcel - DDU	-	-	-	-	
Carrier Route					
Carrier Route Letter - No Entry	130,587	29,481	136,313	28,231	
Carrier Route Letter - DBMC	321,019	33,257	335,094	31,847	
Carrier Route Letter - DSCF	342,326	36,645	357,335	35,091	
Carrier Route Letter - DDU	33,154	10,402	34,607	9,961	
Carrier Route Flat - No Entry	150,426	18,003	157,022	17,240	
Carrier Route Flat - DBMC	489,400	16,860	510,857	16,146	
Carrier Route Flat - DSCF	1,537,968	43,215	1,605,398	41,383	
Carrier Route Flat - DDU	922,325	8,396	962,762	8,040	
Carrier Route Parcel - No Entry	5,262	141	5,492	135	
Carrier Route Parcel - DBMC	1,632	0	1,703	0	
Carrier Route Parcel - DSCF	2,640	99	2,756	95	
Carrier Route Parcel - DDU	1,990	32	2,078	30	
Total					
Letter - No Entry			848,607	300,010	1,148,617
Letter - DBMC			708,635	78,660	787,295
Letter - DSCF			448,789	77,738	526,527
Letter - DDU			34,607	9,961	44,568
Flat - No Entry			1,209,819	205,574	1,415,393
Flat - DBMC			1,357,705	45,811	1,403,515
Flat - DSCF			2,093,648	74,668	2,168,316
Flat - DDU			962,762	8,040	970,803
Parcel - No Entry			351,584	13,910	365,493
Parcel - DBMC			106,122	1,936	108,058
Parcel - DSCF			35,905	1,290	37,195
Parcel - DDU			2,078	30	2,108

ATTACHMENT TO RESPONSE TO NDMS/USPS-TZB-27(b)

FY 1996 Standard Mail (A)
Pieces by Entry Discount

	Uncontrolled		Controlled		Total Regular and Nonprofit
	Regular	Nonprofit	Regular	Nonprofit	
Other					
Other Letter - No Entry	12,390,284	5,781,034	12,307,038	5,586,849	
Other Letter - DBMC	4,846,156	939,710	4,813,596	908,145	
Other Letter - DSCF	1,967,951	1,233,850	1,954,729	1,192,405	
Other Letter - DDU	-	-	-	-	
Other Flat - No Entry	4,777,189	1,178,716	4,745,093	1,139,123	
Other Flat - DBMC	3,602,856	200,332	3,578,650	193,603	
Other Flat - DSCF	1,894,698	246,253	1,881,968	237,982	
Other Flat - DDU	-	-	-	-	
Other Parcel - No Entry	655,559	37,789	651,154	36,520	
Other Parcel - DBMC	155,409	3,522	154,365	3,403	
Other Parcel - DSCF	64,347	2,522	63,914	2,437	
Other Parcel - DDU	-	-	-	-	
Carrier Route					
Carrier Route Letter - No Entry	2,705,783	621,060	2,713,265	594,729	
Carrier Route Letter - DBMC	3,989,251	749,088	4,000,282	717,330	
Carrier Route Letter - DSCF	5,352,954	790,430	5,367,755	756,919	
Carrier Route Letter - DDU	724,861	235,419	726,866	225,438	
Carrier Route Flat - No Entry	998,927	146,874	1,001,689	140,647	
Carrier Route Flat - DBMC	2,566,191	123,051	2,573,287	117,835	
Carrier Route Flat - DSCF	7,858,150	291,634	7,879,878	279,270	
Carrier Route Flat - DDU	4,834,884	78,383	4,848,252	75,060	
Carrier Route Parcel - No Entry	25,716	624	25,787	597	
Carrier Route Parcel - DBMC	10,574	0	10,604	0	
Carrier Route Parcel - DSCF	21,201	569	21,259	545	
Carrier Route Parcel - DDU	11,782	258	11,814	248	
Total					
Letter - No Entry			15,020,302	6,181,578	21,201,880
Letter - DBMC			8,813,878	1,625,475	10,439,353
Letter - DSCF			7,322,484	1,949,324	9,271,808
Letter - DDU			726,866	225,438	952,304
Flat - No Entry			5,746,782	1,279,770	7,026,552
Flat - DBMC			6,151,937	311,437	6,463,374
Flat - DSCF			9,761,846	517,252	10,279,097
Flat - DDU			4,848,252	75,060	4,923,312
Parcel - No Entry			676,941	37,117	714,058
Parcel - DBMC			164,969	3,403	168,372
Parcel - DSCF			85,174	2,982	88,155
Parcel - DDU			11,814	248	12,062

U.S. Postal Service Witness Charles L. Crum
Response to Interrogatories of NDMS

NDMS/USPS-T28-28.

Please refer to Tables 3 and 7 of Exhibit K, recently incorporated into your testimony.

- a. Table 3 of Exhibit K identifies the cost of the 1996 average Bulk Standard Mail (A) letter as 8.0 cents; flat as 11.3 cents; and IPPs and parcels as 51.6 cents per piece. Table 7, part 6 of Exhibit K identifies the average cost avoidance through presortation of a Bulk Standard Mail (A) flat as 13.5 cents per piece. Please confirm that, according to your testimony, the **average flat**, through presortation alone, avoids more than half of the costs it would otherwise incur (*i.e.*, if it received no presortation). If you do not confirm, please explain.
- d. Please confirm that the presort cost avoidances in Table 7 are drawn from the 'Flats or Nonletters' data from page 2 of USPS-29C.
- h. Table 7 reports a saturation presort cost avoidance of \$0.202025 for flats and parcels. Please confirm that the equivalent saturation cost avoidance for Standard A letters, drawn from the "Letters" data from page 2 of USPS-29C, would be \$.08992. If you do not confirm, please explain.

RESPONSE

- a. The numbers I use to estimate presortation savings are actually "Regular Presort" (non-automation) "Flats or Nonletters". You have accurately stated the numbers from my testimony.
- d. Confirmed.
- h. While this question does not relate to my testimony which is intended to show the cost difference between parcels and flats, I have done the calculation you requested. I get \$.089040. This can be repeated by subtracting the "Basic Presort Letters" numbers from the "Saturation" numbers on pages 2 and 4 of USPS-29C and weighting the results by the volume of Commercial and Nonprofit Rate Standard Mail

U.S. Postal Service Witness Charles L. Crum
Response to Interrogatories of NDMS

(A) listed in Tables 1 and 2 of Exhibit K of my testimony. Please also note that witness Daniel filed errata to USPS-29C on October 1, 1997.

U.S. Postal Service Witness Charles L. Crum
Response to Interrogatories of NDMS

NDMS/USPS-T28-29.

Exhibit K contains Table 3B(1) "FY 1996 Bulk Standard Mail (A) Regular Costs by Shape," and Table 3A(1) "FY 1996 Bulk Standard Mail (A) Enhanced Carrier Route Costs by Shape." Table 3B(1) identifies the costs of Standard A Regular parcels as 51.3 cents per piece, while the attributable costs of Standard A Regular flats are 18.2 cents per piece. Table 3A(1) identifies the costs of Standard A ECR parcels as 45.5 cents per piece, while the attributable costs of Standard A ECR flats are 6.4 cents per piece.

- a. Please confirm that the average ECR flat avoids 65 percent of the costs incurred by the average Standard A Regular flat by virtue of greater presortation and dropship entry? If you do not confirm, or if you confirm in part, please explain your answer.
- b. Please confirm that the average ECR parcel avoids 11 percent of the costs incurred by the average Standard A Regular parcel by virtue of greater presortation and dropship entry? If you do not confirm, or if you confirm in part, please explain your answer.
- c. These tables show that the average Standard A Regular parcel incurs greater transportation costs (C.S. 14) than the average Standard A ECR parcel: 7.65 cents per piece compared to 0.99 cents per piece.
 - (i) Do these figures indicate that, by virtue of greater presortation and dropship entry, the average Standard A ECR parcel avoids 6.66 cents per piece of the transportation costs incurred by the average Standard A Regular parcel?
 - (ii) To what extent is this result caused by differences in weight/cube?
 - (iii) To what extent is this result caused by differences in entry profile?

RESPONSE

- a. Not confirmed. The cost difference between ECR flats and Regular flats could be caused by many things, two of which may very well be increased dropship and presortation for ECR flats relative to Regular flats.
- b. Not confirmed. The cost difference between ECR parcels and Regular parcels could be caused by many things, two of which may indeed be increased dropship and presortation for ECR parcels relative to Regular parcels.

U.S. Postal Service Witness Charles L. Crum
Response to Interrogatories of NDMS

c. (i) No. Presortation should have no impact on transportation costs while dropshipment should. There are also other factors that might have an impact including the cubic volume of the piece. The estimated average cubic volume of an ECR parcel is less than the average cubic volume of a Regular parcel. Please see Table 3A(1) and Table 3B(1).

(ii) I have not specifically investigated this issue. Data to help estimate this could be found by looking at the rows "Cube of Mail" and "Volume of Mail" in the tables referenced in (i) above.

(iii) I have not specifically investigated this issue. Data to help estimate this could be found in Table A-1 which was provided for your convenience in response to 27(a) .

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-31

The following data for parcels are taken, or computed, from your Exhibit K, Tables 3A (1&2) and 3B(1&2) for Bulk Standard A Mail.

	Total Attributable Mail Processing Cost (000)	Unit Cost (cents)	Average Weight (ounces)
Regular Rate			
ECR	10,154	14.62	2.77
Regular	252,236	29.01	8.90
Nonprofit			
ECR	510	36.72	3.06
Regular	15,693	37.05	6.40

a. Please confirm that the data shown above are correct. If not confirmed, please provide appropriate corrections.

RESPONSE

a. Confirmed, except "volume variable" needs to be used in place of the term "attributable". Please see the testimony of witness Alexandrovich (USPS-T-5, starting at page 2).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T-28-32.

The following data for parcels are taken, or computed, from your Exhibit K, Tables 3A(1&2) and 3B(1&2) for Bulk Standard A Mail.

	Total Attributable City Delivery Carrier Cost <u>(000)</u>	Unit Cost <u>(cents)</u>	Average Weight <u>(ounces)</u>
Regular Rate			
ECR	19,192	27.63	2.77
Regular	84,470	9.72	8.90
Nonprofit			
ECR	1,315	94.67	3.06
Regular	8,425	19.89	6.40

a. Please confirm that the data shown above are correct. If not confirmed, please provide appropriate corrections.

RESPONSE

a. Confirmed, except "volume variable" needs to be used in place of the term "attributable". Please see the testimony of witness Alexandrovich (USPS-T-5, starting at page 2).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-33.

The following data for parcels are taken, or computed from your Exhibit K, Tables 3A(1&2) and 3B(1&2) for Bulk Standard A Mail.

	Total Attributable City Delivery Direct Labor Cost <u>(000)</u>	Unit Cost <u>(cents)</u>	Average Weight <u>(ounces)</u>
Regular Rate			
ECR	6,286	9.05	2.77
Regular	13,439	1.55	8.90
Nonprofit			
ECR	49	3.53	3.06
Regular	773	1.82	6.40

a. Please confirm that the data shown above are correct. If not confirmed, please provide appropriate corrections.

RESPONSE

a. Confirmed, except "volume variable" needs to be used in place of the term "attributable" and "City Carrier In-Office Direct Labor" needs to be used in place of "City Delivery Direct Labor ". Also, please see the testimony of witness Alexandrovich (USPS-T-5, starting at page 2).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-34

The following data for parcels are taken, or computed, from your Exhibit K, Tables 3A(1&2) and 3B(1&2) for Bulk Standard A Mail.

	Total Attributable Rural Deliver Carrier Cost <u>(000)</u>	Unit Cost <u>(cents)</u>	Average Weight <u>(ounces)</u>
Regular Rate			
ECR	559	0.80	2.77
Regular	25,173	2.90	8.90
Nonprofit			
ECR	66	4.75	3.06
Regular	1,017	2.40	6.40

a. Please confirm that the data shown above are correct. If not confirmed, please provide appropriate corrections.

RESPONSE

a. Confirmed, except "volume variable" needs to be used in place of the term "attributable". Please see the testimony of witness Alexandrovich (USPS-T-5, starting at page 2).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-36

The following data for parcels are taken, or computed, from your Exhibit K, Tables 3A(1&2) and 3B(1&2) for Bulk Standard A Mail.

	Total Attributable Elemental Load Cost <u>(000)</u>	Unit Cost <u>(cents)</u>	Average Weight <u>(ounces)</u>
Regular Rate			
ECR	5,105	7.35	2.77
Regular	38,808	4.46	8.90
Nonprofit			
ECR	814	58.60	3.06
Regular	4,610	10.88	6.40

a. Please confirm that the data shown above are correct. If not confirmed, please provide appropriate corrections.

RESPONSE

a. Confirmed, except "volume variable" needs to be used in place of the term "attributable". Please see the testimony of witness Alexandrovich (USPS-T-5, starting at page 2).

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-37

Please refer to your Exhibit K, Table 5, Construction of FY 1996 Elemental Load Key.

- a. Is the reference "W/S 7.0.6.6" to a worksheet filed as a part of your original testimony? If not, please provide a complete citation to where this reference can be found.
- b. Please explain the source of the entries under column 3, parcels. That is, are the numbers shown in this column based on a sample? If so, please
 - (i) indicate where a description of the data collection can be found;
 - (ii) discuss how the data collection distinguishes between parcels in the different Standard Mail (A) subclasses; and
 - (iii) discuss how the data collected can result in such widely differing unit costs as those discussed in NDMS/USPS-T28-36.

RESPONSE

- a. No. "W/S 7.0.6.6" refers to the testimony of Base Year witness Alexandrovich (USPS-T-5, Workpaper B, Worksheet 7.0.6.6).
- b. The numbers I use in my testimony were taken from the source described in my response to (a) above.

**U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
RESPONSE TO INTERROGATORIES OF NDMS**

NDMS/USPS-T28-38

- a. Please confirm that the vast majority of purchased transportation costs attributed to Standard A Mail consists of highway transportation costs. Please explain any nonconfirmation.
- b. Please confirm that highway transportation costs (i) are incurred on the basis of the cubic volume of mail to be transported, and (ii) highway transportation costs are distributed to the classes and subclasses of mail according to cube. Please explain fully any nonconfirmation.
- c. Please refer to Exhibit K, Table 7, part 2 and confirm that the cost avoidance due to dropshipment of Standard A mail (shown in row 3 below) is composed of the two components shown in rows 1 and 2. If you do not confirm please supply the correct data.

Cost Avoidance From Dropshipment, \$/lb.

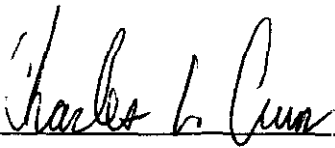
	<u>BMC</u>	<u>SCF</u>	<u>DDU</u>
Transportation Costs	0.0769	0.0906	0.1108
Nontransportation Costs	<u>0.0135</u>	<u>0.0199</u>	<u>0.0271</u>
Total	0.0904	0.1105	0.1379

RESPONSE

- a. Highway Transportation constitutes 68.7 percent of the volume variable Purchased Transportation (Cost Segment 14) costs allocated to Bulk Standard Mail (A).
- b. For the purposes of my analysis, Highway Transportation costs are allocated to shape based on the estimated cubic volume in that shape.
- c. Confirmed.

DECLARATION

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



Dated: 25 NOVEMBER 1997

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.

A handwritten signature in black ink, appearing to read "Scott L. Reiter", is written over a horizontal line.

Scott L. Reiter

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November 25, 1997