DOCKET SECTION

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

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97–1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS CRUM TO INTERROGATORIES OF NDMS
(NDMS/USPS–T28–28(B), (E)–(G), (I) & (K); 29(D) & (E);
31(B)-(G); 32(B)–(E); 33(B) 34(B)–(F); 35; 36(B)–(D), 39 & 40

Pursuant to Presiding Officer's Ruling No. R97-1/71, the United States Postal Service hereby provides responses of witness Crum to the interrogatories of Nashua Photo Inc., et al. which remain outstanding at this time: (NDMS/USPS–T28–28(b), (e)–(g), (i) & (k); 29(d) & (e); 31(b)-(g); 32(b)–(e); 33(b) 34(b)–(f); 35; 36(b)–(d), 39 & 40.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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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.

b. Do you believe that Bulk Standard Mail (A) IPPs and parcels - by any level of presortation, alone - can avoid more than half of the costs they would otherwise incur (i.e., if they received no presortation). Please explain any answer that is not an unqualified affirmative.

e. If the attributable cost of the average Bulk Standard Mail (A) flat is 11.3 cents (Table 3), and the average cost avoidance through presortation of a Bulk Standard Mail (A) flat is 13.5 cents (Table 7, part 6) (and these mail processing costs reflect 0 percent dropshipping (see USPS-29C, n.2)), please confirm that the cost of a nonpresorted Bulk Standard Mail (A) flat would be 24.8 cents. If you do not confirm, please explain.

f. If the attributable cost of a nonpresorted Bulk Standard Mail (A) flat would be 24.8 cents, please explain how that flat can avoid 20.2 cents by saturation presortation, as you indicate at Table 7, part 5.

g. Table 7, at 6) Avoided Costs multiplies data from 4) Pieces by Presort Level by 5) Presort Cost Avoidances. The same cost avoidance ($/piece) is applied to both flat and parcel volumes to calculate part 6. Do you believe that Bulk Standard Mail (A) flats and parcels avoid identical amounts of attributable costs through dropshipment?

i. Please explain why the saturation presort cost avoidance for Standard A flats is more than twice the saturation cost avoidance for Standard A letters.

k. Please provide the equivalent data for all dropship entry cost avoidances reported in Table 7, in cents per piece. (See part 3 of Table 7)

RESPONSE

b. Please see Table 3B in Exhibit K of my testimony. Mail processing comprises about 56.5 percent of Bulk Standard Mail (A) non-carrier route parcel costs. Presortation alone should probably not impact costs other than mail processing. Mail processing includes numerous other costs in addition to piece distribution (for example platform operations - please refer to my response to DMA/USPS-T28-6). Many of those other types of costs would not be avoided by presortation alone. Therefore it is not clear to me that any level of presortation alone could result in costs less than half of what would be otherwise incurred.

e. Not confirmed. For example, your estimate is based on Regular Presort Flats or Nonletters and ignores Automation flats. Also, please refer to my response to (g) below. If your goal is to estimate the average unit cost of a nonpresorted Bulk Standard Mail (A) flat given the data in my testimony, however, this simple approach does seem basically logical.

f. I do not know exactly "how" a flat avoids 20.2 cents or how this is relevant to my testimony. Please refer to USPS-29C, page 2 for a discussion of cost estimates by presort level. Please also refer to USPS-T-26 for a discussion of volume variable mail processing costs for each rate category of flats within Standard Mail (A). Finally, please also refer to my response to 29(d)(iv).

g. Since the majority of estimated dropship savings are related to transportation and the majority of transportation is related to cubic volume and the average cubic volume of a parcel is higher than the average cubic volume of a flat, then probably not.

i. While I do not believe this question is related to my testimony and am not able to provide a definitive answer, my supposition is the following. Letters are very highly automated (please refer to USPS-T-4) and less expensive (please refer to USPS-T-29) to process than flats. Therefore, there are more costs available for saturation presort to avoid for flats than for letters.

k. I have not done the calculations that you request. Please refer to the attachment to my response to NDMS/USPS-T28-27(b) for the necessary data to answer your question. Be sure to use the "Controlled" total.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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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.

d. These tables show that the average Standard A Regular parcel incurs greater mail processing costs (C.S. 3.1) than the average Standard A ECR parcel: 29.01 cents per piece compared to 14.62 cents per piece.
   (i) Please confirm that, by virtue of greater presortation and dropship entry, the average Standard A ECR parcel avoids 14.39 cents **per piece** of the mail processing costs incurred by the average Standard A Regular parcel? If you do not confirm, please explain your answer.
   (ii) Please confirm that, by virtue of greater presortation and dropship entry, the average ECR parcel avoids more than 20 cents **per piece** of the mail processing and transportation costs incurred by the average Standard A Regular parcel? If you do not confirm, please explain your answer.
   (iii) Please confirm that presortation and dropship entry of parcels results in greater cost avoidance to the Postal Service than presortation and dropship entry of flats and letters? If you do not confirm, please explain your answer.
   (iv) Do you feel that you have accurately identified in your testimony the effect of differences in the use of destination entry and presortation by Standard A flats and parcels? Please explain your answer.
   (v) If these figures indicate that the greater presortation and dropship entry provided to the average ECR parcel avoid more than 20 cents **per piece** of the mail processing and transportation costs incurred by the average Standard A Regular parcel, why is the overall difference between the costs incurred by average Standard A ECR parcel and the average Standard A Regular parcel less than 6 cents per piece?
   (vi) Did you notice this anomaly before you incorporated these data into your testimony?
   (vii) How reliable are the data in these tables, in your testimony?
   (viii) Did you examine the reliability of the attributable cost data from the IOCS and the Base Year CRA before you incorporated these data into your testimony? If so, how did you examine the reliability, and what conclusions did you draw?
   (ix) Did you examine the reliability of the volume data from the PERMIT and BRAVIS systems before you incorporated these data into your testimony?

If so, how did you examine the reliability, and what conclusions did you draw?

e. With respect to the data from Tables 3A(1) and 3B(1) in your testimony:

(i) Please explain why the average Standard A ECR flat incurs approximately one-third the costs incurred by the average Standard A Regular flat, while the Standard A ECR parcel incurs approximately nine-tenths of the costs incurred by the average Standard A Regular parcel.

(ii) Please explain why ECR preparation and delivery avoids 12 of 18 cents from the cost of the average Standard A flat, but only 6 of 51 cents from the cost of the average Standard A parcel.

RESPONSE

d. (i) Not confirmed. Please refer to my response to (b) above.

(ii) Not confirmed. Please refer to my response to (b) above.

(iii) Not confirmed. For dropship, please refer to my response to 28 (g) above. For presort, it is not completely clear to me that current presortation cost savings are substantially higher for parcels than for flats.

(iv) Please refer to my oral response at Tr. 5/2364, lines 2-5 as well as my response to (iii) above and 28 (b). The analysis in Table 7 is conservative in that it lowers the estimated cost difference between flats and parcels in Standard Mail (A). Were I to assume that, indeed, parcels save more than flats from dropshipping and presorting, the adjusted cost difference between flats and parcels in Standard Mail (A) would expand. The intention of my testimony has been to **conservatively** estimate the cost difference between flats and parcels in Standard Mail (A).

(v) I do not know why the cost difference between Standard Mail (A) Regular parcels and Standard Mail (A) ECR parcels is 5.8 cents.

(vi) I would not characterize the situation you describe as an anomaly. Please refer to my responses to (i) and (ii) above and e(ii) below.

(vii) I believe the data in my testimony are reliable.

(viii) I did not specifically question the reliability of the In-Office Cost System which is a standard Postal data system or the Base Year CRA (whose twin, the Fiscal Year CRA, is publicly audited each year). Please see the testimony of witness Degen for additional information on the In-Office Cost System and witness Alexandrovich for additional information on the Base Year CRA. I did review three previous years of data in my Table 3 analysis (which was submitted in response to NDMS/USPS-T28-18). Each year showed very large cost differences between Standard Mail (A) flats and parcels.

(ix) Almost two years ago, I called a meeting which included many of the leading volume experts within the Postal Service. I was told that PERMIT/BRAVIS produced the most reliable estimates for my purposes. Other known distribution keys were considered and produced similar results. It is important to note that the analysis of volumes used in my testimony produces a smaller cost difference between parcels and flats in Standard Mail (A) than any of the other alternatives considered. It is also important to note that, technically, I did not use PERMIT/BRAVIS volumes as such. I used the audited, official Revenue, Pieces, and Weight (RPW) data and used PERMIT/BRAVIS as a distribution key for shape purposes.

e. (i) I do not know. One possible explanation is that there are inherent characteristics related to parcels which make them more costly regardless of presort.

Another possibility is that there are physical characteristics of the mix of ECR parcels which are different than the mix for Regular parcels. There could also be issues specifically related to ECR parcels (such as detached address cards) that could help explain the results you see. ECR flats save substantial costs relative to Regular flats (please refer to USPS-29C, pages 1-6).

(ii) I do not know. Please refer to my response to (i) above.

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

b. Within Regular Rate, the unit mail processing cost for an ECR parcel (14.62 cents) is about half the unit cost for a 'Regular' parcel (29.01 cents).
   (i) Is this difference in mail processing cost explained by the fact that ECR parcels avoid a certain amount of mail processing and handling? If not, please explain.
   (ii) Which mail flow models presented in this docket (if any), are applicable to ECR or 'Regular" parcels and show explicitly the processing and handling avoided by ECR parcels?

c. Within Nonprofit, the unit mail processing cost for ECR parcels (36.72 cents) is almost the same as the unit cost for 'Regular' parcels (37.05 cents). Please explain why the unit mail processing cost for Nonprofit ECR parcels is not significantly less than the unit cost of Nonprofit 'Regular' parcels.

d. (i) Why is the unit mail processing cost for Nonprofit ECR parcels (36.72 cents) 2.5 times the unit cost for Regular Rate ECR parcels (14.62 cents)?
   (ii) What processing and handling steps explain the 22. 10 cent difference in unit cost?
   (iii) What is the confidence interval for the two unit cost estimates?
   (iv) How many IOCS tallies support the cost estimates for Nonprofit and Regular Rate ECR parcels?

e. The average weight of a Nonprofit ECR parcel (3.06 ounces) is slightly heavier (by 0.29 ounces) than the average weight of a Regular Rate ECR parcel (2.77 ounces). Does the weight difference help explain the 22. 10 cent mail processing cost difference? Please explain your answer.

f. The unit mail processing cost for a Nonprofit "Regular" parcel (37.05 cents) is 8 cents more than the unit cost for a Regular Rate parcel (29.01 cents).
   (i) What steps in handling explain this 8-cent difference in unit cost?

(ii) Do nonprofit parcels have a different, more expensive-to-handle shape than Regular Rate parcels?
(iii) What is the 95 percent level of confidence for the two unit cost estimates?
(iv) How many IOCS tallies support the mail processing cost estimates for Nonprofit and Regular Rate 'Regular" parcels?

g. Why does a lighter weight Nonprofit 'Regular' parcel (6.4 ounces) have a unit mail processing cost that is 8 cents higher than a heavier Regular Rate parcel (8.9 ounces)?

RESPONSE

b. (i) That certainly accounts for some portion of the difference. In addition, there could be a variety of other factors including, for example, the average size of ECR parcels relative to Regular parcels. Please also refer to my response to 29 (c)(i).

(ii) Please refer to my response to NDMS/USPS-T28-19.

c. Please refer to Table 3A(2) in Exhibit K of my testimony. The volume for Nonprofit ECR parcels is obviously very low relative to the other subclasses. One might expect unit cost fluctuations when volumes are of that level. I can not definitively vouch for the stability or one year accuracy of the results for Nonprofit ECR parcels in isolation particularly when they are broken out into even smaller pieces not specifically referred to in my testimony. The Nonprofit specific results were included separately only in response to intervenor requests and in the interest of providing a complete record. Please refer to DMA/USPS-T28-9. I fully and completely vouch for the results in Table 3 of Exhibit K which is what is used to support the surcharge.

d. (i)-(iii) Please refer to my response to (c) above.

(iv) Please refer to witness Degen's response to DMA/USPS-T28-10 (redirected from myself).

e. Please see my response to (c) above.

f. (i) I am unaware of any difference in processing steps that would explain the difference in unit costs.

(ii) The broad mix of the 869 million Regular (commercial rate, non-ECR) parcels could have a broad array of different average characteristics (physical, geographic, etc.) than the 42 million Nonprofit (nonprofit rate, non-ECR) parcels.

(iii) This is not available.

(iv) Please refer to witness Degen's response to DMA/USPS-T28-10 (redirected from myself).

g. Please refer to my response to f (ii) above.

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 (000)	Unit Cost (cents)	Average Weight (ounces)
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

b. Within Regular Rate, the unit delivery cost for a 'Regular' parcel (9.72 cents) is about one-third the unit delivery cost for an ECR parcel (27.63 cents), despite the fact that an ECR parcel (2.77 ounces) is only one-third the weight of a 'Regular' parcel (8.90 ounces). What factor(s) account for this difference of 17.91 cents in delivery cost? Please explain fully.

c. Within Nonprofit, the unit delivery cost for an ECR parcel (94.67 cents) is about five times the unit delivery cost of a Nonprofit "Regular" parcel (19.89 cents), even though the average weight of the ECR parcel (3.06 ounces) is less than half the average weight of the 'Regular" parcel (6.40 ounces).
   (i) Please identify and explain all factors that account for the 74.78 cent difference in unit cost.
   (ii) What is the 95 percent level of confidence for the unit cost estimates?

d. Why is the unit cost to deliver a Nonprofit ECR parcel (94.67 cents) over three times the unit cost to deliver a Regular Rate ECR parcel (27.63 cents)? Please explain fully.

e. To what extent do differences in weight account for differences in the unit delivery cost of Standard A parcels?

RESPONSE

b. I do not know. I did not conduct a study relating to each cost segment area with the intention of fully describing the noted "unit cost" results. However, based on my visits to delivery offices and discussions with carriers, carrier supervisors, and other

delivery personnel, the following might possibly account in part for the difference you note.

Regular parcels usually come in one at a time and are processed as part of the carrier's normal daily activities. ECR parcels can come in larger groups, and, thus can cause the carrier to deviate slightly from his/her normal routine, adding slightly to the resulting costs. Also, samples (which are generally associated with carrier route mailings) can require a detached label card. This card must be cased with the letters and flats while the parcel must also be prepared for delivery. This too could cause slightly higher costs for ECR parcels.

Additionally, there could be differences in average physical and/or location characteristics that might possibly have an impact. Finally, your "unit cost" calculation divides volume variable city carrier costs by total volume, not the volume carried by city carriers by subclass.

c.-d. Please see my response to NDMS/USPS-T28-31(c).

e. I have not studied the impact of weight on delivery costs for Standard Mail (A) parcels.

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 (000)	Unit Cost (cents)	Average Weight (ounces)
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

b. Within Regular Rate, the unit city delivery direct labor cost for an ECR parcel (9.05 cents) is almost six times the unit cost for a 'Regular' parcel (1.55 cents), and within Nonprofit, the direct labor unit cost for an ECR parcel (3.53 cents) is almost twice the unit cost for a 'Regular' parcel (1.82 cents). At the same time, the average weight of ECR parcels is less than half the average weight of 'Regular' parcels.
   (i) Please explain why city delivery direct labor cost is so much higher for ECR parcels than it is for 'Regular' parcels?
   (ii) What characteristics of Regular Rate ECR parcels cause them to incur a city delivery direct labor unit cost of 9.05 cents?
   (iii) What is the 95 percent level of confidence for the two unit cost estimates.
   (iv) How many IOCS tallies support the cost estimates for ECR and Regular parcels?

RESPONSE

b. (i) - (iii) Please see my response to 32(b) above.

(iv) Please refer to witness Degen's response to DMA/USPS-T28-10 (redirected from myself).

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 (000)	Unit Cost (cents)	Average Weight (ounces)
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

b. Within Regular Rate, the unit rural delivery cost for a 'Regular' parcel (2.90 cents) is about three and one-half times the unit rural delivery cost for an ECR parcel (0. 80 cents). Does the fact that the weight of a 'Regular' parcel (8.90 ounces) is over three times the weight of an ECR parcel (2.77 ounces) account for the extraordinary difference in unit cost? What other factor(s) account for this difference of 2.10 cents in rural delivery cost? Please explain fully.

c. Within Nonprofit, the unit delivery cost for an ECR parcel (4.75 cents) is about two times the unit delivery cost of a Nonprofit 'Regular' parcel (2.40 cents), even though the average weight of the ECR parcel (3.06 ounces) is less than half the average weight of the 'Regular' parcel (6.40 ounces).
   (i) Please explain all factors that account for the 2.35 cent difference in unit cost.
   (ii) What is the level of confidence for the unit cost estimates?

d. Why is the unit cost for rural delivery of a Nonprofit ECR parcel (4.75 cents) almost six times the unit cost for rural delivery of a Regular Rate ECR parcel (0.80 cents)? Please explain fully.

e. Please explain the extent to which the wide-ranging differences in unit rural delivery cost are a result of 'real' factors associated with parcels, such as weight, difficult-to handle shapes, etc. If you made no attempt to investigate such wide-ranging differences, please explain why.

f. Please discuss the extent to which the wide-ranging differences in unit rural delivery cost are a result of data problems or possible inconsistencies in the way rural delivery costs are distributed to letters, flats and parcels in each rate category covered by your tables 3A(1&2) and 3B(1&2).

RESPONSE

b. Please see my response to 32(e) above. Your "unit cost" calculation divides volume variable costs (by subclass) by **total** volume (by subclass). An appropriate unit cost calculation would divide volume variable costs by the volume engaged in that activity (for example pieces carried by a rural carrier). I have not done attempted to investigate this because it is not necessary for the purposes of my testimony which is to show the cost difference between parcels and flats in Bulk Standard Mail (A). Please also refer to my response to 34(f) and 35(b) below.

c.-d. Please refer to my response to 31(c) and 34(b) above.

e. Please see my responses to 34(b) above and 34(f) below.

f. Please refer to my response to NDMS/USPS-T28-3. If there are any "problems", I believe that the "problem" would be an understatement of costs being allocated to parcels (and an overstatement of costs allocated to flats) with the use of the Rural Carrier Cost System methodology for my purposes. As discussed previously, my numbers are meant to be a conservative estimate of the cost differences between flats and parcels in Standard Mail (A).

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

NDMS/USPS-T28-35.

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.

	Rural Delivery Unit Cost (cents)	City Delivery Unit Cost (cents)	Ratio City Delivery: Rural Delivery
Regular Rate			
ECR	0.80	9.05	11.3
Regular	2.90	1.55	0.5
Nonprofit			
ECR	4.75	3.53	0.7
Regular	2.40	1.82	0.8

a. The unit city delivery cost for an ECR parcel is more than 11 times the unit rural delivery cost for an ECR parcel. Conversely, the unit rural delivery cost for a 'Regular" parcel exceeds the unit city delivery cost for a 'Regular" parcel by a factor of two. The unit rural delivery unit cost of Nonprofit 'Regular" and ECR parcels are also higher than the corresponding unit city delivery costs. What factors explain why the unit city delivery cost for an ECR parcel is more than 11 times the unit rural delivery cost for an ECR parcel, while the unit city delivery cost for all other Standard A parcels are less than their unit rural delivery cost?

b. In view of these results, how much confidence do you have in these data on unit delivery cost?

RESPONSE

a. The "unit cost"(s) you are using here are the cost of a particular delivery segment (e.g. Rural) over the total volume of all parcels for that subclass. I do not believe such an analysis can lead to any explanative results. Parcels can be delivered by a rural carrier or a city carrier, but not both. That mix might be very different by subclass. Since my purpose is to estimate the total costs of flats and parcels, it does not really matter how they are delivered. The total costs and total volumes are as they are. Your implicit assumption is basically that each piece is getting both rural and city carrier costs. Let us just examine your first sentence about rural and city carrier ECR costs.

Perhaps within commercial rate, ECR parcels are very rarely delivered by rural carriers and are usually delivered by city carriers. The applicable volumes might be much lower for rural carriers and much higher for city carriers. The true "unit cost" for rural carrier and city carrier delivered items might be identical. I do not know if this is indeed the case and it would not need be so for me to maintain complete belief in my numbers, but I think it points out why these questions concerning carrier unit costs provide no additional insight.

b. I believe "these results...on unit delivery cost" are basically meaningless for the reasons described above. Additionally, my testimony does not discuss the results of analyses related to finely broken out subcategories, but to the total cost difference between parcels and flats in Bulk Standard Mail (A). Finally, my analysis of Standard Mail (A) parcel city carrier costs is actually conservative. Please refer to my response to UPS/USPS-T28-11.

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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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 (000)	Unit Cost (cents)	Average Weight (ounces)
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

b. Within Regular Rate, the elemental load cost for an ECR parcel (7.35 cents) is 1.6 times the unit cost for a 'Regular' parcel (4.46 cents). Please explain why a lighter-weight ECR parcel has a higher elemental load cost than a 'Regular' parcel.

c. Within Nonprofit, the elemental load cost for an ECR parcel (58.60 cents) is over 5 times the unit cost for a 'Regular' parcel (10.88 cents). At the same time, the average weight of a Nonprofit ECR parcels is less than half the average weight of a Nonprofit 'Regular' parcel. Please explain why elemental load cost is so much higher for a Nonprofit ECR parcel than it is for a Nonprofit 'Regular' parcel. For example, what characteristics of a Nonprofit ECR parcel cause them to incur an average elemental load cost of 58.60 cents?

d. The elemental load cost for a Nonprofit ECR parcel (58.60 cents) is approximately 8 times greater than the elemental load (7.35 cents) cost for a Regular Rate ECR parcel. Please explain the source of this 51.25 cents difference in elemental load cost.

RESPONSE

b. I do not know. I am not an expert in the development of the Elemental Load cost calculation which is a common part of a standard Postal data system. I use the available data presented in witness Alexandrovich's Base Year testimony.

c.-d. Please refer to my response to (b) above and NDMS/USPS-31(c).

U.S. POSTAL SERVICE WITNESS CHARLES L. CRUM
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NDMS/USPS-T28-39.

a. Would you agree that if Standard A Mail has an average density of 20.4 pounds per cubic foot (Exhibit K, Table 3) then dropship avoidance of transportation costs of $0.0769, $0.0906 and $0.1108 per pound (for BMC, SCF and DDU respectively, and which you use in Exhibit K, Table 7) are equivalent to a cost avoidance of $1.56876, $1.84824 and $2.26032 per cubic foot? Please explain any disagreement, and supply the correct amounts for costs avoided per cubic foot if you disagree.

b. If Standard A letters, flats and parcels have an average density of 28.4, 20.7 and 8.1 pounds per cubic foot (Exhibit K, Table 3), would you agree that "unbundled" transportation per pound cost avoidances for drop shipment would be as follows ($/lb):

	BMC	SCF	DDU
Letters	0.05524	0.06501	0.0795
Flats	0.07579	0.08929	0.1091
Parcels	0.19367	0.22812	0.2790

If you do not agree, please provide what you believe to be correct unbundled transportation cost avoidances for letters, flats and parcels.

RESPONSE

a. I agree that you have correctly made those calculations.

b. Other than that I got 0.06508 for SCF Letters and 0.22818 for SCF Parcels, I agree that you have correctly made those calculations. Implicit in your statement that these would be the "unbundled" transportation cost avoidances is an assumption that weight/density are the only factors impacting these costs by shape and I can not definitively agree to that.

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

NDMS/USPS-T28-40

Please refer to (i) the tabulation in interrogatory NDMS/USPS-T28-38(c), "Cost Avoidance From Dropshipment, $/lb," and (ii) to the tabulation in interrogatory NDMS/USPS-T28-39(b), referred to as 'unbundled' transportation per pound cost avoidances. If the bundled 'Transportation Costs' in line 1 of tabulation (i) above are replaced with the unbundled transportation costs of tabulation (ii) above, would you agree that the following tabulation of "unbundled" Cost Avoidance from Dropshipment, $/lb, will result. If you disagree, please provide what you believe to be the correct unbundled cost avoidance from drop shipment of Standard A mail, assuming that weight is the cost driver for nontransportation costs avoided.

Unbundled Cost Avoidance From Drop Shipment $/lb.

	BMC	SCF	DDU
Letters			
1. Trans Costs	0.05524	0.06501	0.07959
2. Nontrans. Costs	0.01350	0.01990	0.02710
3. Total	0.06874	0.08491	0.10669
Flats			
1. Trans. Costs	0.07579	0.08929	0.10919
2. Nontrans Costs	0.01350	0.01990	0.02710
3. Total	0.08929	0.10919	0.13629
Parcels			
1. Trans. Costs	0.19367	0.22812	0.27905
2. Nontrans. Costs	0.01350	0.01990	0.02710
3. Total	0.20717	0.24802	0.30615

RESPONSE

I agree that you have accurately completed the calculations that you describe other than for the items referred to in my response to NDMS/USPS-T28-39(b). I am unable to state that these would be the "unbundled" transportation costs by shape and am not aware of additional data that I could use to make such a definitive calculation for you.

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.

Charles L. Crum

Dated: 3 DECEMBER 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.

Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–113
December 3, 1997