

ORIGINAL

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

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POSTAL RATE AND FEE CHANGES, 1997

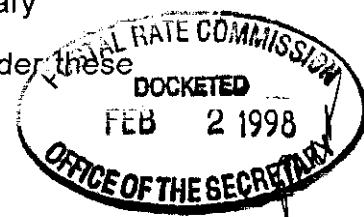
Docket No. R97-1

POSTAL RATE COMMISSION  
OFFICE OF THE SECRETARY

JOINT COMMENTS OF ADVERTISING MAIL MARKETING ASSOCIATION,  
DIRECT MARKETING ASSOCIATION, MAIL ORDER ASSOCIATION OF  
AMERICA, PARCEL SHIPPERS ASSOCIATION, AND ADVO, INC.  
IN RESPONSE TO NOTICE OF INQUIRY NO. 3  
CONCERNING CITY DELIVERY CARRIER LOAD TIME ISSUES

On January 12, 1998, the Commission issued Notice of Inquiry No. 3 (NOI) relating to Postal Service witness Baron's proposed treatment of city delivery carrier load time. The Commission requested comments on "the appropriateness of these and other possible changes to the established approach to measuring the variability of load time." *Id.* at 1. These comments are being filed on behalf of the Advertising Mail Marketing Association, the Direct Marketing Association, the Mail Order Association of America, the Parcel Shippers Association, and Advo, Inc., hereinafter referred to as the "Joint Parties."

We submit these comments in the form of proffered testimony by Joint Parties' witness Antoinette Crowder on city delivery carrier load time issues, captioned as "JP-NOI-1." Concurrently, we are filing a motion of the Joint Parties to accept testimony and establish on-the-record procedures to consider issues concerning load time costing. Our reason for submitting comments in the form of testimony is the conviction that, to the extent the Commission intends to consider criticisms or alternatives to witness Baron's carrier costing approach or results through the notice of inquiry procedure, such issues must be addressed in formal on-the-record testimony subject to due process safeguards, rather than in non-evidentiary comments. The necessity for on-the-record hearing procedures to consider these



important and complex issues is explained in our accompanying motion to accept testimony and establish hearing procedures.<sup>1</sup>

As explained in detail in the accompanying testimony of Joint Parties' witness Crowder, USPS witness Baron's overall load time attribution results generally go in the right direction, but still substantially overstate attributable load time costs. The problem he addresses with respect to over-attribution of elemental load time is real. Baron's adjustment to load time costs, which shifts a portion of costs from load time to access time, is conservative and more accurately reflects the true division between load time and access time costs than the prior methodology. His "fixed-time-at-stops" approach, however, does not fully address the root cause of the problem: the use of flawed and conceptually inconsistent frameworks for estimating accrued load time and elemental load time variabilities.

Witness Crowder corrects these shortcomings by using the traditional Load Time Variability (LTV) models and City Carrier Cost System (CCS) data to estimate both accrued load time costs and variabilities, and demonstrates how this integrated, internally-consistent approach (i) produces correct estimates of attributable load time costs, and (ii) directly answers the questions raised by the Commission in its NOI. Under this correct approach to evaluating system-wide load time and variabilities:

- (1) The LTV models are specified with base year CCS volume and deliveries data. These models provide the average time per stop for the given base year conditions. Total system-wide stop load time is then calculated directly by multiplying the average time per stop by the base year number of actual stops from the CCS, rather than through use of STS proportions.
- (2) The LTV models and base year CCS volume and deliveries data are then used to develop elemental or direct volume-variability. This variability represents the proportion of stop load time which varies directly (100%) with volume. It is multiplied by system-wide stop load time to generate elemental load time.

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<sup>1</sup> If the Commission denies our motion, then we request that the Commission treat "JP-NOI-1" as the substantive comments of the Joint Parties to the NOI.

- (3) The residual (non-elemental) system-wide load time is then multiplied by the stops-coverage variability. This variability is estimated from the stops-coverage model developed from base year CCS volumes and stops.

Witness Crowder further explains how this integrated, internally consistent approach resolves two problems witness Baron was trying to address:

- (1) Deriving accrued system-wide stop load time directly from the LTV modeled load time and CCS data obviates the need to make adjustments to the STS-derived accrued load time estimate, such as witness Baron's fixed time per stop, and
- (2) Variability associated with the number of actual deliveries on the stop, which witness Baron attempts to estimate, does not need to be estimated at all. The volume-related deliveries-coverage effect on the stop as well as all direct volume effects on stop load time are already reflected in the stop load time variability (elemental variability).

In summary, witness Crowder's testimony demonstrates that Baron's load time attribution results, although generally an improvement, still substantially overstate attributable load time costs.

Witness Crowder's testimony further demonstrates that the issues raised by the Commission's NOI No. 3 cannot be addressed in a piecemeal manner through comment procedures. These issues are conceptually and technically complex, and interrelated with the overall approach to attribution of city delivery carrier load time. If the Commission intends to use the NOI process to consider criticisms or alternatives to the costing approach or results proposed by witness Baron, then given the nature of these issues and the serious due process concerns addressed in our accompanying joint motion, they should only be considered through sponsored on-the-record testimony.

Respectfully submitted,

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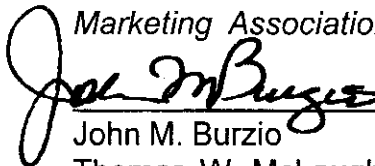
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CERTIFICATE OF SERVICE

I hereby certify that I have on this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

  
Thomas W. McLaughlin

February 2, 1998