

DOCKET SECTION

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

RECEIVED
FEB 11 4 53 PM '98
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

RESPONSES OF MAGAZINE PUBLISHERS OF AMERICA WITNESS
GLICK TO INTERROGATORIES OF UNITED STATES POSTAL SERVICE
(USPS/MPA-T3-1-3)

(February 11, 1998)

Pursuant to the Commission's Rules of Practice, Magazine Publishers of America hereby submits the attached responses to interrogatories propounded by USPS to witness Glick. (USPS/MPA-T3-1-3)

Respectfully submitted,



James R. Cregan
Counsel
Magazine Publishers of America
Suite 610
1211 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 296-7277

**Magazine Publishers of America Witness Sander Glick
Responses to Interrogatories of USPS**

USPS/MPA-T3-1. Please refer to Exhibit MPA 3-1.

- (a) Please confirm that the letters volume you used to calculate the letters percentage of 51.70% shown in the top row of this exhibit excludes DPS and sector segment mail pieces. If you confirm, please explain why you excluded DPS and sector segment mail from your calculation of the letters percentage. If you do not confirm, please explain fully.
- (b) Please confirm that if your calculation had included DPS and sector segment mail, the letters percentage would have equaled 58.01%.
- (c) If you did not exclude DPS and sector segment in your calculation of 51.70% as the letters percentage, please explain your derivation of this percentage.

Response:

(a) Confirmed. I assumed that the distribution key the Postal Service proposed for "Letters Delivered" costs was an appropriate distribution key. Specifically, because "Letters Delivered" costs do not include any costs for DPS and sector segment mail, I assumed that the distribution key for "Letters Delivered" excluded DPS and sector segment volumes. If this were the case, it would be proper to exclude DPS and sector segment mail pieces from the calculation that resulted in the 51.70% in the top row of Exhibit MPA 3-1. My response to USPS/MPA-T3-3 explains why the Postal Service-proposed distribution key for "Letters Delivered" costs is incorrect and shows that the anomaly I explained in my testimony would still exist even if I used the 58.01 percent figure in my mail shape adjustment. Based on this interrogatory, I will revise my testimony to reflect the 58.01 percent figure.

(b) Using my process, I calculate 58.02%.

(c) N/A

**Magazine Publishers of America Witness Sander Glick
Responses to Interrogatories of USPS**

USPS/MPA-T3-2. Please refer to USPS-T-5, WP-B, W/S 10.1.1 and 10.2.1, column 2. Please confirm that the DPS and sector segment items listed on line numbers 8a and 8b consist of deliveries of letter-shape mail pieces. If you do not confirm, please explain your understanding of the shape content of DPS and sector segment mail pieces as defined at lines 8a and 8b.

Response:

Confirmed.

**Magazine Publishers of America Witness Sander Glick
Responses to Interrogatories of USPS**

USPS/MPA-T3-3. Please refer to USPS-T-5, WP-B, W/S 10.1.2 and 10.2.2, column 1. Please confirm that the CCS letters delivered volumes that were used to derive the percentages shown in this column 1 include DPS and sector segment volumes. If you do not confirm, please explain your understanding of how the rural CCS file accounts for DPS and sector segment mail.

Response:

Confirmed. Please note that including DPS and sector segment volumes in the distribution key for "Letters Delivered" costs is inappropriate. The costs for the "Letters Delivered" route evaluation item do not include costs for DPS and sector segment (SS) letter delivery. Therefore, the distribution key for this route evaluation item should exclude DPS and sector segment volumes. Nonetheless, the Postal Service's distribution key for "Letters Delivered" costs includes DPS and SS letter volumes.

An implication of the Postal Service using an incorrect distribution key for the "Letters Delivered" route evaluation item is that the Postal Service distributes more rural carrier cost per DPS or sector segment letter than for each non-DPS/non-SS letter. This is despite the fact that rural carriers are paid less to deliver DPS and sector segment letters (about 1.2 cents and 1.6 cents, respectively) than they are paid to deliver other letters (2.8 cents). While DPS and SS letters are included in the distribution key for the "Letters Delivered" route evaluation item, non-DPS/non-SS letters are not included in the distribution key for the "DPS" and "Sector Segment" route evaluation items. Therefore, the Postal Service's rural carrier cost distribution method assigns too much cost to classes of mail for which a large portion of letter mail consists of DPS/SS letters and not enough cost to classes of mail with a below average proportion of DPS/SS letters. To correct this problem, the Postal Service should exclude sector segment and DPS letters from the distribution key for the "Letters Delivered" route evaluation item.

**Magazine Publishers of America Witness Sander Glick
Responses to Interrogatories of USPS**

Excluding sector segment and DPS letters from the "Letters Delivered" route evaluation item would also facilitate more appropriate comparisons of rural CCS data and National Mail Count data. For example, if I had excluded DPS and sector segment volumes from the rural CCS letter volumes when I compared the cost distributed per "Letter Delivered" piece and cost distributed per "Flat Delivered" piece the anomaly in my testimony would have been somewhat smaller. Specifically, after excluding DPS and SS letters from the distribution key for the "Letters Delivered" route evaluation item, the cost distributed per flat is 15.3 percent higher than the amount rural carriers are paid to deliver one flat while the cost distributed per letter delivered is only 9.6 percent higher than the amount rural carriers are paid to deliver one letter (See Table 1).

Table 1. Cost Distributed per Piece and Carrier Pay per Piece after Postal Service's Mail Shape Adjustment

Evaluation Item	Cost (\$000s)	Volume (000s)	Cost Distributed Per Piece	Carrier Pay Per Piece	Difference
	[1]	[2]	[3]=[1]/[2]	[4]	[5]=([3]-[4])/[4]
Letters Delivered	450,698	14,810,218 ¹	3.0 cents	2.8 cents	9.6%
Flats Delivered	753,785	13,146,349	5.7 cents	5.0 cents	15.3%

¹According to the National Mail Count, approximately 22.5 percent (165,695/737,031) of rural letters are DPS or sector segment letters. LR-H-29 at I-5.

There are two reasons why the anomaly exists even after excluding DPS and sector segment letters from the cost distributed per piece calculation. First, when making the mail shape adjustment, the Postal Service used September Rural CCS volumes rather than annual volumes. By using September Rural CCS volumes rather than annual volumes, the Postal Service distributes too much costs to flats because flats make up a higher percentage of letter/flat volume in September than they do for the fiscal year as a whole. Docket No. R90-1, USPS-T-13 at F-24-25; Docket No. R94-1, USPS-T-14, Workpaper B-10, W/S 10.0.3.

**Magazine Publishers of America Witness Sander Glick
Responses to Interrogatories of USPS**

Second, by only applying the mail shape adjustment to subclasses with both flats and letters, the Postal Service did not recode enough letters as flats. The mail shape adjustment calculation indicated that the Postal Service should recode one out of every 6.81994 letters as flats. Because the Postal Service recoded 1 out of every 6.81994 letters as flats for subclasses with flats and letters and no letters as flats for subclasses with no flat Rural CCS volume, the Postal Service, as a whole, only recoded one out of every 7.15887 letters as flats. For the mail shape adjustment to adjust the appropriate number of Rural CCS letters as flats, the Postal Service needed to recode more than one out of every 6.81994 letters as flats in subclasses containing letters and flats.

Updating Exhibit MPA 3-1 with the 58.01 percent figure referred to in USPS/MPA-T3-1(b), yields a mail shape adjustment that recodes one out of every 6.34818 letters as flats. To achieve this adjustment while recoding no letters as flats for subclasses with no Rural CCS flat volumes, the mail shape adjustment requires recoding one out of every 6.04763 letters as flats for subclasses containing both flats and letters.

DECLARATION

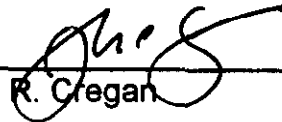
I, Sander Glick, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Sander Glick
Sander Glick

Date: 2/11/98

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.



James R. Cregan

Washington, D.C.
February 11, 1998