

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

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EXPERIMENTAL PARCEL RETURNS SERVICES

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Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS JAMES KIEFER TO INTERROGATORIES OF  
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO  
(APWU/USPS-T3-1-4)

The United States Postal Service hereby files the response of witness James Kiefer to the following interrogatories of the American Postal Workers Union, AFL-CIO:

APWU/USPS-T3-1-4, filed on June 20, 2003.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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June 26, 2003

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS JAMES KIEFER TO INTEROGATORIES OF THE AMERICAN POSTAL WORKERS UNION, AFL-CIO

**APWU/USPS-T3-1.** Witness Gullo states (p. 12-13) that pieces returned to a post office different from the RDU to which they are addressed will be transported to the BMC and handled as RBMC returns. What is your estimate of the number of parcels that will receive such handling? How do you account for the cost of handling these parcels?

**RESPONSE:**

I have not made any estimate of the number or share of such parcels. This number is one of the data items we hope to learn from the experiment. While the number or share is unknown, it is not likely to pose a problem to PRS. Once entered, these parcels are expected to receive the same handling as parcels originally entered as RBMC parcels, and they will pay RBMC rates. It is my understanding that, since these parcels will be treated as RBMC parcels, their cost impacts would be similar to those modeled by witness Eggleston for RBMC parcels.

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**APWU/USPS-T3-2.** Please provide details about the operational and cost impacts of the Automated Package Parcel Sorter System on returned parcels. What cost adjustments did you make for the introduction of the APPSS. If you did not fully adjust your calculations for the APPSS, please explain your reasons.

**RESPONSE:**

Redirected to witness Eggleston (USPS-T-2).

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**APWU/USPS-T3-3.** In your testimony (pp.8,9) you state that you used various weight and volume estimates from docket R2001-1. Please detail to what extent those weight and volume estimates vary from actual FY2001 and FY2002 distributions and why you determined that the estimates were more useful than actual experience.

**RESPONSE:**

I have compared the R2001-1 distribution for DDU (used for RDU parcels) and for DBMC Zones 1&2 and Zone 3 (used for RBMC parcels) with billing determinants for FY 2001 and FY 2002. In my judgment, the differences between these three distributions are not substantial. For example, the accompanying table illustrates the cumulative share of parcels weighing 0-5 pounds, 0-10 pounds, 0-15 pounds, and 0-35 pounds for the three distributions. The volumes in DBMC Zones 4 and 5 are relatively small and do not figure significantly into the analysis. The table shows that the cumulative volume shares do not vary much among these three distributions. Based on the small variation and the way the volume distributions are used in my workpapers, I do not believe that either of the two alternative distributions would have had a major impact on the pricing I would have proposed.

I do not think that using either of the alternative volume profiles would have introduced any significant problem into my analyses. I also believe that there is merit in using data and assumptions drawn from a consistent data pool to the extent it is practicable to do so. Since using one of the different distributions would not likely have a material impact on my proposed rates, I believe it is better to opt for the R2001-1 distribution, as it is consistent with most of the other assumptions used by witness Eggleston and myself.

**Attachment to Response to APWU/USPS-T3-3**

**Cumulative Share of Parcel Volumes**

Weight Range	DDU			DBMC Zones 1&2			DBMC Zone 3		
	R2001-1	FY 2001	FY 2002	R2001-1	FY 2001	FY 2002	R2001-1	FY 2001	FY 2002
<b>0 to 5 Pounds</b>	66.7%	70.5%	67.0%	70.9%	73.9%	73.0%	71.2%	73.1%	72.0%
<b>0 to 10 Pounds</b>	86.9%	89.6%	85.7%	87.1%	90.7%	89.3%	89.1%	89.6%	88.4%
<b>0 to 15 Pounds</b>	92.7%	94.4%	91.8%	92.2%	94.9%	93.8%	93.9%	93.8%	93.4%
<b>0 to 35 Pounds</b>	97.8%	98.2%	97.7%	97.6%	98.4%	98.0%	98.0%	98.0%	98.1%

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**APWU/USPS-T3-4.** On page 12 of your testimony you provide volume estimates for RDU, RBMC and BPMRS packages expected in a year. Are the estimates limited to volumes generated by participants in the experiment? If so, is it possible for the Postal Service to determine the likely volume for this service when offered to all customers? How might the experiment aid in such estimates?

**RESPONSE:**

No, I did not develop my volume estimates with any specific number of participants in mind. I am informed that the Postal Service does not expect that it will reach the participation limits cited by witness Gullo in Section IX of his testimony (USPS-T-1). In that case, the experience gained during the experiment should serve as a useful guide to the likely demand for PRS if the Postal Service does request approval of a permanent, unlimited, classification.

If, to the contrary, the Postal Service does receive more applications to participate in the experiment than it has slots available, there are two factors that may help us to project the usage for a permanent, unlimited, PRS classification.

- While we expect to include smaller shippers or agents among the participants, we believe that the limits (20 the first year, and 30 the second year) are high enough that the companies most likely to generate the great majority of the PRS volume will probably not be excluded. For this reason, we would not expect a large relative increase in usage from removing participation limits.
- All participants will have to submit applications to join the experiment. Among other things, applicants will be asked to estimate their expected volumes. This information should help us to gauge some of the additional volume that might occur once participant limits are lifted.

## 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.

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