

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS
ASSOCIATION (PSA/USPS-T13-10-13)**

(July 10, 2006)

The United States Postal Service hereby provides the responses of Witness Smith (USPS-T-13) to the above referenced interrogatories of Parcel Shippers Association, filed on June 26, 2006.

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

Frank R. Heselton
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-5204; Fax: -6187
July 10, 2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-10**

PSA/USPS-T13-10. Please refer to your response to PSA/USPS-T13-6 where you state, "A brief examination of Postnet barcodes as an indicator of automation flats rate preparation showed that Postnet 9- or 11-digit barcodes could be found on Standard Regular parcels (thicker than 1¼ inch)." Please also refer to the section of your response to the same interrogatory where you state, "It should be noted that the 35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS, contrasts with the apparently low share of Standard Regular parcels prepared as automation flats rates for that year."

(a) Please explain fully how the Postal Service determined that Postnet barcodes could be found on Standard Regular parcels thicker than 1¼ thick, including a full description of the data sources used to make this determination.

(b) In FY 2000, did IOCS collect data on the thickness of mailpieces that were recorded as Standard Mail parcels? If so, please explain fully.

(c) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were less than ¾ inch thick? Please provide all of your underlying calculations.

(d) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were between ¾ inch and 1¼ inch thick? Please provide all of your underlying calculations.

(e) How much of the "35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS" was for pieces that were greater than 1¼ inch thick? Please provide all of your underlying calculations.

(f) In FY 2005, what percentage of Standard Regular parcel mail processing costs were for pieces with Postnet barcodes?

RESPONSE:

- a. The determination that 9 and 11-digit Postnet barcodes show up on parcel-rated Standard Regular pieces often enough to undermine the approach of using Postnet barcodes as an indicator of automation flats rates was based on observations at a BMC and calls to check on this at other BMCs. Postal Service personnel observed operations at BMCs and ascertained the presence or absence of Postnet barcodes on pieces that are clearly "parcels", i.e., on pieces that exceed the 1 1/4 inch thickness or are containerized at entry such that they are clearly "parcels" and paid the

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- RSS. Numerous instances of Standard Regular parcel shaped pieces with Postnet barcodes were observed. Other BMCs were contacted to verify these observations for other sites. Based on this brief examination, Postnet barcodes show up on parcel-rated pieces often enough to obviate using Postnet barcodes as indicators of Flats Automation rate pieces.
- b. No, IOCS did not collect data on the thickness of mail pieces that were recorded as Standard Mail parcels in FY 2000.
 - c. See the response to part b.
 - d. See the response to part b.
 - e. See the response to part b.
 - f. An approximate estimate of the share of the Standard Regular mail processing parcel costs for pieces with Postnet barcodes for FY 2005 is 43 percent. This percentage estimate is based on using the cost weighted clerk and mailhandler tallies for Standard Regular parcels and IPPS. As indicated in part a. of this response, pieces with Postnet barcodes will include both parcel rated and flats automation rate pieces.

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PSA/USPS-T13-11**

PSA/USPS-T13-11. Please refer to the attachment to your response to PSA/USPS-T13-3. Please provide Standard Regular RPW volume by shape and Standard Regular ODIS destinating volume by shape controlled to RPW report totals for each fiscal year from FY 1997 to FY 2005.

RESPONSE:

See the attachment to this response, which contains the requested volume data.

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 PSA/USPS-T13-11

COMPARISON OF STANDARD REGULAR RPW AND ODIS VOLUMES BY SHAPE FOR FY1997 TO FY2005

RPW SHAPE REPORT VOLUME BY CLASS & SHAPE
 Volume In Thousands

Source: LR-L-87 Shape GFY 2005rV.xls and predecessors.

ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING
 VOLUME BY CLASS & SHAPE
 Volume In Thousands
 Controlled to RPW

Source: ODIS-RPW UDS file and predecessors.

FY	Letters/Cds.	Flats	Parcels/PPs	All Shapes	Letters/Cds.	Flats	Parcels/PPs	All Shapes
1997	27,987,649	13,865,284	852,716	42,705,649	29,015,635	12,859,065	830,949	42,705,649
1998	30,082,582	14,714,976	854,093	45,651,650	31,207,600	13,600,754	843,297	45,651,650
1999	33,724,748	15,421,273	799,839	49,945,860	34,375,271	14,669,618	900,971	49,945,860
2000	37,872,913	15,771,844	711,753	54,356,510	38,389,337	15,175,650	791,523	54,356,510
2001	40,421,962	14,996,482	676,623	56,095,067	40,428,233	14,902,666	764,169	56,095,067
2002	40,725,213	13,497,171	640,574	54,862,958	40,096,929	13,977,738	788,292	54,862,958
2003	43,928,876	13,625,157	610,021	58,164,054	42,711,473	14,664,742	787,839	58,164,054
2004	48,117,714	13,859,534	590,572	62,567,820	47,479,534	14,306,463	781,823	62,567,820
2005	51,289,509	14,028,861	600,304	65,918,674	50,560,811	14,573,851	784,012	65,918,674

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
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PSA/USPS-T13-12**

PSA/USPS-T13-12. Please refer to Attachment 13 to your testimony, which shows an unadjusted Test Year Standard Regular Parcel unit mail processing cost of 77.84 cents. Please provide unadjusted Standard Regular Parcel total mail processing costs for each fiscal year from FY 1997 to FY 2005.

RESPONSE:

This response contains the “unadjusted” base year Standard Regular mail processing parcel unit costs with piggyback costs in cents per piece for the fiscal years 1998-2000, 2004 and 2005, which are available from the Docket Nos. R2000-1, R2001-1, R2005-1 and R2006-1. These same costs were not available for the years 1997, and 2001 to 2003, since no base year calculations were made for these periods. The unadjusted costs for FY 2004 and FY 2005 were developed by multiplying the results on Parcels (3) by the Final Reconciliation factor for Standard Regular (from sheet Class, column M) using the source spreadsheets listed below. In addition, the unit costs reported for FY 1998 and FY 1999 are the weighted average of the separate unit costs for Commercial and Non-Profit categories reported in the source spreadsheets listed below.

Fiscal Year	Mail Processing Unit Costs	Docket No.	Source USPS Library Reference	Spreadsheet:
FY 1998	48.17	R2000-1	LR-I-81	MPSHAPBN.xls
FY 1999	49.23	R2000-1	LR-I-464	SP99USPS.xls
FY 2000	60.00	R2001-1	LR-J-46	shp00usps.xls
FY 2004	79.32	R2005-1	LR-K-148	shp04usps.xls
FY 2005	75.23	R2006-1	LR-L-143	shp05usps.xls

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PSA/USPS-T13-13**

PSA/USPS-T13-13. Please refer to Attachment 14 to your testimony, which shows Test Year mail processing unit costs by shape and subclass. Please provide mail processing unit costs for parcels/IPPs by subclass for each fiscal year from FY 2001 to FY 2005.

RESPONSE:

The attachment to this response contains the base year mail processing parcel unit costs with piggyback costs which are available from the Docket Nos. R2000-1, R2001-1, R2005-1 and R2006-1. These same costs were not available for the years 2001 to 2003, since no base year calculations were made for those years. In addition, such parcel unit costs were not developed for Periodicals prior to Docket No. R2005-1. Likewise, parcel unit costs were not available for Package Services prior to this case. The parcel unit costs provided for Standard Regular for FY 2004 and FY 2005 are adjusted using the Flats-Parcel Cost Adjustment as described in my testimony at pages 34-35. The unadjusted costs are provided in my response to PSA/USPS-T13-12.

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**Base Year Parcel Volume-Variable Mail Processing Unit Costs
for Dockets Nos. R2000-1, R2001-1, R2005-1 and R2006-1
(Cents per Piece)**

Row No.	Subclass	Fiscal Year	FY 1998	FY 1999	FY 2000	FY 2004	FY 2005
1	First Class Letters Single Piece		69.54	72.52	82.35	88.82	99.94
2	First Class Letters Presort		170.82	135.18	249.92	279.14	294.28
3	IN COUNTY					356.31	309.92
4	OUT COUNTY					2,950.03	2,833.64
5	Periodicals Total					2,865.66	2,752.53
6	STANDARD ENH.CARRIER ROUTE		33.51	142.01	185.08	880.97	2,410.15
7	STANDARD REGULAR		48.17	49.23	60.00	59.92	57.60
8	STD (A) REG/ENH		26.92	130.76			
9	STD (A) REG/OTHR		47.11	47.93			
10	STD (A) NPRF/ENH		199.11	418.07			
11	STD (A) NPRF/OTH		68.40	79.02			
12	PARCEL POST						119.69
13	BOUND PRINTED MATTER						59.16
14	MEDIA MAIL						104.72
	Docket No.		R2000-1	R2000-1	R2001-1	R2005-1	R2006-1
	Source USPS Library Reference:		LR-I-81	LR-I-464	LR-J-46	LR-K-148	LR-L-143
	Spreadsheet:		MPSHAPBN.xls	SP99USPS.xls	shp00usps.xls	shp04usps.xls	shp05usps.xls

Note: Costs are for the USPS Version and include piggyback costs. Standard parcel unit costs for FY 1998 and FY 1999, row 6 is a weighted average of rows 8 and 10. Likewise, Standard parcel unit costs for FY 1998 and FY 1999, row 7 is a weighted average of rows 9 and 11. For FY 2004 and FY 2005 Standard Regular parcel unit costs (row 7) is adjusted based on the Standard Regular Flats-Parcel Cost Adjustment as discussed by witness Smith, USPS-T-13, at pages 34-35.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Frank R. Heselton

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-5204, FAX: -6187
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