

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T32-14, 15 AND 17 THROUGH 20)

The United States Postal Service hereby files the responses of witness
Altaf H. Taufique to the following interrogatories of Parcel Shippers Association:
PSA/USPS-T32-14, 15 and 17 through 20, filed on June 23, 2006. The
interrogatories are stated verbatim and are followed by the responses.

Interrogatory PSA/USPS-T32-16 has been redirected to witness Miller
(USPS-T-20) for response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF THE PARCEL SHIPPERS ASSOCIATION**

PSA/USPS-T32-14. Please refer to your response to PSA/USPS-T32-11 where you state, “The reason for some anomalous results is not the methodology or data source; rather it is the size of the subclass or rate category under consideration.” Please also refer to witness Czigler’s response to PSA/USPS-T13-1(b), which shows an approximate coefficient of variation of 11.4% for First-Class Mail Presort Letter parcels. Finally, please refer to witness Smith’s response to PSA/USPS-T13-9(a) where he confirms that “given the CVs provided by Witness Czigler, the anomalously large unit costs for parcels in the three subclasses [which include First-Class Mail Presort] identified in PSA/USPS-T13-1(c)-(e) are very unlikely to be entirely due to sampling error.”

(a) Please provide all analyses that you have performed in support of your statement that “[t]he reason for some anomalous results is not the methodology or data source; rather it is the size of the subclass or rate category under consideration.”

(b) Taking into account the quoted responses from witnesses Czigler and Smith, do you believe that the reason for the anomalous results for First-Class Mail Presort parcels “is not the methodology or data source; rather it is the size of the subclass or rate category under consideration.”

RESPONSE

(a) I am not a statistician; my statement was based on my general experience as a user and recipient of data involving small groupings of mail within a subclass derived from various cost and volume systems. I have not performed any analysis on this particular subject. The potential differences (in a different context) between cost systems and Postal One are discussed in witness Harahush’s (USPS-T-4) response to POIR Number 5, Question 16b.

(b) I will defer to the experts to explain the reasons for the anomalous results in this case. My use of the cost estimates is based on a broader consideration of the impact of proposed rates, as well as the estimates of additional costs caused by shape or other characteristics.

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PSA/USPS-T32-15. Please refer to USPS-LR-L-129, WP-FCM-18 and confirm that the average cost savings for First-Class Mail Business Parcels as compared to Mixed ADC parcels is 37.0 cents. If not confirmed, please provide the weighted average cost savings of First-Class Mail Business Parcels relative to Mixed ADC parcels.

RESPONSE

I can confirm the calculation based on the numbers provided in the above referenced workpaper in USPS-LR-L-129. Two factors have caused this number to change to 54 cents. First, I should have used column 4, instead of column 5 to calculate the cost savings. Second, witness Miller (USPS-T-20) has filed errata. Based on this new information, and using column 4, the weighted average cost savings of First-Class Mail Business or Presort Parcels, relative to Mixed ADC parcels cost calculated by witness Miller, is approximately 54 cents.

	Unit Cost Cents	Estimated Volume	Weights
Automation MADC	118.829		
Automation ADC	86.455	23,584,694	0.148834276
Automation 3-Digit	75.985	59,414,874	0.374945281
Automation 5-Digit	49.895	75,463,218	0.476220443
		158,462,786	
Weighted Average	65.119		
Difference	53.710		

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PSA/USPS-T32-17. Please refer to USPS-LR-L-129, WP-FCM-5a. Please confirm that you assume that 36% of First-Class Mail single-piece parcels (which translates into 150.3 million TYAR parcels) will shift to FCM Business Parcels. If confirmed, please explain the basis of your assumption. If not confirmed, what percentage of First-Class Mail single-pieces parcels did you assume will shift to FCM Business Parcels?

RESPONSE

In the cited Library Reference, I show 36 percent of FCM Single-Piece parcels shifting to FCM Business Parcels. In FY 2005, postage for approximately 36 percent of the parcels was paid by using permit indicia. It is reasonable to assume that some of these parcels will take advantage of the presort prices. However, as noted in my response to PSA/USPS-T32-20, there is no accompanying cost calculation to reflect any potential shift. Therefore, to ensure consistency between costs and revenue, I will be adjusting my volume and revenue calculations to reflect no shifting of volume.

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PSA/USPS-T32-18. Please refer to USPS-LR-L-129, WP-FCM-5b.

(a) Please confirm that you assume that all 4.1 million TYAR Nonautomation parcels will shift to the Automation Parcel Category. If confirmed, please explain the basis of your assumption. If not confirmed, how many TYAR Nonautomation parcels did you assume will shift to the Automation Parcel Category?

(b) In FY 2005, were any First-Class Mail Nonautomation parcels barcoded? If so, what percentage of these parcels were barcoded?

RESPONSE

(a) Confirmed. It was a policy decision by the Postal Service to require barcodes to facilitate efficient processing and handling of parcels.

(b) I do not have the number of nonautomation barcoded parcels in FY 2005.

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PSA/USPS-T32-19. Please refer to USPS-LR-L-129, WP-FCM-5b and WP-FCM-5c.

(a) Please confirm that you assume that the distribution of First-Class Mail Business Parcels by presort level will be the same as for Automation Flats (excluding MADC flats). If confirmed, please explain the basis of your assumption. If not confirmed, what assumption did you make to determine the distribution by presort level?

(b) Please provide the FY 2005 distribution of First-Class Mail Nonautomation parcels by presort level and all of your underlying calculations.

RESPONSE

(a) See my response to PSA/USPS-T32-17. Data regarding the potential presort mix for these parcels were not available. So, in the cited Library Reference, I used the distribution of automation flats.

(b) The presort level distribution of First-Class Mail nonautomation parcels for FY 2005 is not available.

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PSA/USPS-T32-20. Please refer to USPS-LR-L-129, WP-FCM-5a, WP-FCM-5b, WP-FCM-5c, and WP-FCM-18 and your responses to PSA/USPS-T32-15-19.

(a) Please provide your best estimate of the total TYAR cost savings that will result from parcels shifting from First-Class Mail Single-Piece parcels and Nonautomation parcels to First-Class Mail Business Parcels. Please provide all of your underlying calculations.

(b) Has the Postal Service included any adjustments to First-Class Mail TYAR costs to reflect the cost savings from these shifts in mail mix? If so, please provide a citation to where these cost savings have been included.

RESPONSE

(a-b) No estimate of any cost savings is calculated or presented in the Postal Service request. Although I present a scenario entailing the shift of nonpresorted parcels to the new presort parcel tiers by using the presort mix of flats, it is unclear that parcels will be similarly presorted. Also, although costs are provided to offer guidance on the level of the proposed presort discounts, a total cost adjustment that would reflect any additional presorting is not calculated. Therefore, I am revising my revenue projections to be consistent with the costs for the subclass, and to reflect no shifting of volume. See my response to PSA/USPS-T32-17.