

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS THRESS  
TO INTERROGATORY OF ABA-NAPM (ABA-NAPM/USPS-T22 -13),  
REDIRECTED FROM WITNESS ABDIRAHMAN  
(July 28, 2006)

The United States Postal Service hereby provides the response of witness Thress to the following interrogatory of ABA-NAPM, filed on July 14, 2006: ABA-NAPM/USPS-T22-13.

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

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July 28, 2006

**RESPONSE OF POSTAL SERVICE WITNESS THRESS  
TO INTERROGATORY OF ABA-NAPM  
RE-DIRECTED FROM WITNESS ABDIRAHMAN**

ABA-NAPM/USPS-T7-13

Please refer to Table One below. Data from this table indicate that 5-digit presort letters have been growing at a faster rate than 3-digit presort letters during the period from 2001 through the last year of actual data available in 2005.

(a) Please explain why, starting with 2006 and through 2009, your before-rates forecasts show an abrupt end to the growth of 5 digit presort letters, with growth reverting back to the same patterns as 3-digit presort letters, well under 1.0% a year.

(b) In light of your proposed rate structure for 3-digit and 5-digit presort letters, and specifically in light of the change in relative rates that creates incentives to sort to 5 digits, please explain why your before rates and after-rates volumes for 5 digit-presort differ by such a small amount.

Table One  
3-Digit & 6-Digit Automation Presort Letters  
Actual and Before Rates & After Rates Forecast Volumes

FY	Before Rates				After Rates					
	3-D Auto	% Change	5-D Auto	% Change	5-D % of Total 3&5-D	3-D Auto	% Change	5-D Auto	% Change	5-D % of Total 3&5-D
1995	12,093,963		8,583,411		41.51%	12,093,963		8,583,411		41.51%
1996										
1997	19,419,949		9,082,395		31.87%	19,419,949		9,082,395		31.87%
1998	19,631,232	1.09%	10,203,174	12.34%	34.20%	19,631,232	1.09%	10,203,174	12.34%	34.20%
1999 <sup>f</sup>		5.46%		11.66%			5.46%		11.66%	
2000 <sup>f</sup>	21,832,339	5.46%	12,720,447	11.66%	36.81%	21,832,339	5.46%	12,720,447	11.66%	36.81%
2001	22,474,264	2.94%	14,038,959	10.37%	38.45%	22,474,264	2.94%	14,038,959	10.37%	38.45%
2002	22,511,948	0.17%	14,761,937	5.15%	39.60%	22,511,948	0.17%	14,761,937	5.15%	39.60%
2003	22,571,248	0.26%	14,911,024	1.01%	39.78%	22,571,248	0.26%	14,911,024	1.01%	39.78%
2004	22,585,608	0.06%	15,963,541	7.06%	41.41%	22,585,608	0.06%	15,963,541	7.06%	41.41%
2005	22,908,988	1.43%	17,449,571	9.31%	43.24%	22,908,988	1.43%	17,449,571	9.31%	43.24%
2006 <sup>f</sup>	22,958,131	0.21%	17,480,153	0.17%	43.23%	22,958,131	0.21%	17,480,153	0.17%	43.23%
2007 <sup>f</sup>	22,895,498	-0.27%	17,425,913	-0.31%	43.22%	22,822,544	-0.16%	17,460,997	-0.11%	43.24%
2008 <sup>f</sup>	23,042,350	0.64%	17,530,278	0.60%	43.21%	23,024,390	0.44%	17,558,039	0.56%	43.27%
2009 <sup>f</sup>	23,112,491	0.30%	17,576,842	0.27%	43.20%	22,966,685	-0.25%	17,514,886	-0.25%	43.27%

Notes: <sup>f</sup> denotes forecast.  
\* Annualized growth rate between 1998-2000.

Sources: Actual volumes from Billing Determinants.  
2006-2009 forecast volumes from R2006-1, USPS LR-L-66.

**RESPONSE:**

(a) The relative share of First-Class workshared letters which will take advantage of automation letters discounts is projected from a single equation based upon the historical share of First-Class workshared letters which have been automated. The decision to use a single equation in this case was not made

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specifically with reference to the individual rate categories identified in your question, but because it produced what I considered to be more reasonable forecasts of the *overall* level of automation.

(b) The after-rates volume forecasts shown in Table One above are not correct for 5-digit presorted letters. As shown in Attachment A of my testimony (USPS-T-7), the correct after-rates figures are as follows:

	3-D Auto	% Change	After-Rates 5-D Auto	% Change	5-D % of Total 3&5-D
2006	22,958.131	0.21%	17,480.163	0.17%	43.23%
2007	22,922.544	-0.16%	17,725.547	1.40%	43.61%
2008	23,024.390	0.44%	18,233.989	2.87%	44.19%
2009	22,966.685	-0.25%	18,188.884	-0.25%	44.20%

## 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.

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