

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 KELLEY
(USPS-T-30) TO INTERROGATORIES OF VALPAK. (VP/USPS-T23-1.c),
REDIRECTED FROM WITNESS PAGE
(June 2, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ValPak, Inc., filed on May 18, 2006: VP/USPS-T23-1.c, redirected from witness Page.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 2, 2006

Response of Witness John Kelley (USPS-T-30) to Interrogatories of Valpak Direct Marketing Systems, Inc. Redirected from Witness Page

VP/USPS-T23-1.

Please refer to the adjustment you made to shift the costs of Basic ECR Automation letters (Commercial and Nonprofit) to the Regular (Commercial and Nonprofit) subclasses, discussed on page 26 of your testimony (USPS-T-23), beginning on line 20, and to Table 13, page 27, showing a downward adjustment for all mix changes in ECR of \$164,842,000. See also USPS-LR-L-59, workbook "Final Adjustments2008-USPS.xls, sheet 'Inputs,'" showing

(i) a cost for mail processing in cell B41 of 4.75 cents, (ii) a cost for city carriers in cell C41 of 3.52 cents, and (iii) a cost for rural carriers in cell D41 of 1.50 cents.

a. Please state how much of the \$164,842,000 is due to movement of the Basic ECR Automation letters to Regular (Commercial and Nonprofit) and how much is due to other mix changes.

b. Please provide the location in USPS-LR-L-67 of the carrier costs of 3.52 cents and 1.50 cents. Only a general reference to Library Reference 67 is shown on the 'Inputs' sheet.

c. Do the delivery costs of 3.52 cents and 1.50 cents mean that it costs 2.35 times as much to have a city carrier deliver a letter as to have a rural carrier deliver a letter? If so, why is this reasonable? If not, what do these costs mean?

Response

a. Answered by witness Page (USPS-T-23).

b. Answered by witness Page (USPS-T-23).

c. No, the unit delivery costs cited (city unit delivery cost is actually 3.54 cents) should not be interpreted to mean that it costs 2.36 ($3.54/1.50$) times as much to have a city carrier deliver an ECR Non-Saturation letter as to have a rural carrier deliver an ECR Non-Saturation letter. The number 2.36 is the ratio of the total test year city carrier ECR Non-Saturation letter cost to the total test year rural carrier ECR Non-Saturation letter cost ($\$170,150/\$72,179$). The respective unit costs were derived by dividing each of those total test year costs by the same originating test year volume. Summing the two unit delivery costs equals the final test year unit delivery cost found in Table 1 of 5.04 cents for ECR Non-Saturation letters.

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What these costs mean is that it is expected, on average, that an additional ECR Non-Saturation letter causes an additional 3.54 cents of city delivery cost and an additional 1.50 cents of rural delivery costs. If you perhaps find that difficult to envision (because, in reality, any one piece is likely to incur only city or rural delivery costs, but not both), you could equally properly think of an additional 100 ECR Non-Saturation letters, which in the aggregate would be expected to add \$3.54 to city delivery costs and \$1.50 to rural delivery costs.

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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