

**BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0111**

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**POSTAL RATE AND FEES CHANGES, 2006**

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**Docket No. R2006-1**

**SECOND INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION  
TO  
UNITED STATES POSTAL SERVICE  
WITNESS MARC A. SMITH (PSA/USPS-T13-6-9)**

The Parcel Shippers Association (PSA) requests United States Postal Service to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,

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Dated: June 5, 2006

**PSA/USPS-T13-6.** Please refer to your response to PSA/USPS-T13-2 where you state, “A second suggested approach involved dividing Standard Regular parcel costs between those parcels with Postnet 9 or 11-digit barcodes and those without. The Postnet 9 or 11-digit barcode was to be an indicator of automation flats preparation and costing such pieces as flats, with the remainder as parcels. The impact of this approach was a 35.7% reduction in the parcel unit costs based on FY 2000 IOCS data. It was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation, so this was dropped.”

- (a) Please explain why the Postal Service believes that the presence of “Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation.”
- (b) Please explain how “[i]t was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation.”
- (c) Please confirm that reducing the parcel unit cost by 35.7% would produce a Test Year unit mail processing cost for Standard Regular parcels of 50 cents per piece. If not confirmed, please provide the correct figure.

**PSA/USPS-T13-7.** Please refer to your response to PSA/USPS-T13-2 where you state, “I also looked into using data from a new question from the revised IOCS (Question number Q23A2). The new question was intended to allow for identification of parcel shaped pieces that were 3/4<sup>th</sup> to 1 1/4<sup>th</sup> inch thick. An examination of this data suggested the need for a better understanding of this data before utilizing it.”

- (a) Please explain what the Postal Service found in its “examination of this data” that “suggested the need for a better understanding of this data before utilizing it.”
- (b) Please explain how the Postal Service planned to use the new question to perform the Standard Regular flat-parcel cost adjustment.
- (c) If the Q23A2 data had been utilized to perform the Standard Regular flat-parcel cost adjustment, how large would the adjustment have been?

**PSA/USPS-T13-8.** Please refer to your response to PSA/USPS-T13-2 where you discuss “suggestions on doing the adjustment differently” and the adjustment that would have resulted from each. Would you agree that performing the Standard Regular Flat-Parcel Cost Adjustment is an inexact science that increases the uncertainty in the Standard Regular parcel unit cost estimate? Please explain your response fully.

**PSA/USPS-T13-9.** Please refer to Attachment 14 of your testimony and your response to PSA/USPS-T13-1(c)-(e) where you state that the unit costs for First-Class Mail Presort parcels, Standard Mail ECR parcels, and Periodicals Outside County parcels appear “to be anomalous” and that you “do not know why [the units costs are] so large.” Please also refer to the approximate CVs for mail processing provided by Witness Czigler in response to PSA/USPS-T13-1(b) and the attachment you provided in your response to PSA/USPS-T13-3.

- (a) Please confirm that, given the CVs provided by witness Czigler, the anomalously large unit costs for parcels in the three subclasses identified in PSA/USPS-T13-1(c)-(e) are very unlikely to be entirely due to sampling error. If not confirmed, please explain fully.
- (b) Please confirm that the anomalously large unit costs for parcels for the three subclasses identified in PSA/USPS-T13-1(c)-(e) are likely due to inconsistencies in the definition of a parcel in different Postal Service statistical systems. Please explain your response fully.
- (c) Ignoring the Standard Regular Flat-Parcel cost adjustment, please confirm that the same method and statistical systems were used to develop all of the unit cost figures for parcels shown in Attachment 14 of your testimony. If not confirmed, please explain fully.
- (d) Do you believe that the underlying cause of the anomalous results for First-Class Mail Presort parcels, Standard Mail ECR parcels, and Periodicals Outside County parcels may have also infected the other unit cost estimates for parcels in Attachment 14 of you testimony? If not, can you rule out this possibility? Please explain your response fully.
- (e) Taking into account your response to subpart (d) of this interrogatory, do you believe that rate design witnesses should use the parcel unit costs from Attachment 14 of your testimony as rough approximations only? Please explain your response fully.
- (f) Did anyone advise witnesses Taufique and Kiefer that they should use the parcel unit costs from Attachment 14 of your testimony as rough approximations only? Please explain your response fully.
- (g) In your opinion, is it appropriate to use the anomalous First-Class Presort parcel unit cost at all in designing First-Class Mail rates? Please explain your response fully.