

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  
L. PAUL LOETSCHER (USPS-T-28) TO INTERROGATORY OF  
THE PARCEL SHIPPERS ASSOCIATION (PSA/USPS-T28-1)  
(July 12, 2006)

The United States Postal Service hereby provides the response of witness  
Loetscher (USPS-T-28) to the following interrogatory of the Parcel Shippers  
Association, filed on June 28, 2006:

PSA/USPS-T-28-1

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF USPS WITNESS LOETSCHER (USPS-T-28) TO  
INTERROGATORY OF THE PARCEL SHIPPERS ASSOCIATION

**PSA/USPS-T28-1.** Please refer to page 13 of USPS-LR-L-33 where it states: “For rate design and evaluation it is necessary to develop estimates of the distribution of non-flat nonletter pieces by proposed rate element. However, data to accomplish this does not exist. A procedure of estimating joint distributions from two marginal distributions is developed to provide reasonable estimates for parcels. The procedure first takes the FY 05 distribution of Standard parcels by presort rate and entry discount then applies assumptions regarding the distribution across preparation levels (e.g. 90 percent of non-machinable 3/5D DBMC Standard parcels are prepared in 3-Digit sacks – 10 percent are prepared in 5-Digit sacks). Then it is assumed that 70 percent of Standard parcels are machinable. The distributions across preparation/entry levels are controlled first to the FY 05 presort/rate distribution then to the assumed distribution by machinability. This process is repeated until the two distributions converge. The hybrid distribution is produced by controlling the LR-L-92 distribution of UFSM 1000 flats by presort rate to the entry profile of parcels. The results of these exercises appear in Table 4.”

(a) Please provide a list of all assumptions made to “map” the FY 05 distribution of Standard parcels by presort rate and entry discount into the proposed rate elements.

(b) Please explain the basis of each assumption specified in your response to subpart (a) of this interrogatory.

**RESPONSE:**

(a)- (b)

The following assumptions were made in the construction of the initial distribution of machinable parcels across rate element.

- 1) Basic machinable parcels are not eligible for entry discounts.
- 2) All Origin entered Basic machinable parcels would pay Mixed BMC rates.
- 3) All Origin entered 3/5 Digit machinable parcels would pay BMC rates.
- 4) All DBMC entered 3/5 Digit would pay BMC rates.
- 5) All DSCF entered 3/5 Digit machinable parcels would pay 5-Digit rates.

RESPONSE OF USPS WITNESS LOETSCHER (USPS-T-28) TO  
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**RESPONSE TO PSA/USPS-T28-1 (continued)**

The following assumptions were made in the construction of the initial distribution of non-machinable parcels across rate element.

- 1) 10 percent of Origin entered Basic non-machinable parcels would pay MADC rates.
- 2) 90 percent of Origin entered Basic non-machinable parcels would pay ADC rates.
- 3) 10 percent of Origin entered 3/5 Digit non-machinable parcels would pay 5-Digit rates.
- 4) 90 percent of Origin entered 3/5 Digit non-machinable parcels would pay 3-Digit rates.
- 5) 10 percent of DBMC entered Basic non-machinable parcels would pay MADC rates.
- 6) 90 percent of DBMC entered Basic non-machinable parcels would pay ADC rates.
- 7) 10 percent of DBMC entered 3/5 Digit non-machinable parcels would pay 5-Digit rates.
- 8) 90 percent of DBMC entered 3/5 Digit non-machinable parcels would pay 3-Digit rates.
- 9) All DSCF entered Basic non-machinable parcels would pay the ADC rate.
- 10) 10 percent of DSCF entered 3/5 Digit non-machinable parcels would pay 5-Digit rates.

RESPONSE OF USPS WITNESS LOETSCHER (USPS-T-28) TO  
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**RESPONSE TO PSA/USPS-T28-1 (continued)**

11) 90 percent of DSCF entered 3/5 Digit non-machinable parcels would pay 3-Digit rates.

12) All DDU entered non-machinable parcels would pay the 5-Digit rate.

To obtain an estimate of the proportion of Standard mail that is machinable it is assumed that all barcoded parcels are machinable and that 70% of machinable mail is barcoded.

Most of these assumptions were made using the current DMM preparation rules as a guide. In cases where rate eligibility was not implied by DMM preparation rules, e.g. the proportion of 3/5 Digit mail presorted to 5-Digit level vs. the proportion presorted to the 3-Digit, I was provided a subjective estimate by Postal Service personnel familiar with Standard parcels.

## **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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