

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 KIEFER TO
INTERROGATORIES OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS
(AAPS/USPS-T36-1, 2, 6, 8)

The United States Postal Service hereby files the responses of witness Kiefer to above-listed interrogatories, filed on July 6, 2006. Interrogatories 3-5 and 7 are redirected to the Postal Service.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3089; Fax -5402
July 20, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER TO
INTERROGATORY OF THE ASSOCIATION OF ALTERNATIVE POSTAL SYSTEMS

AAPS/USPS-T36-1. Do you agree that, in designing rates for Standard mail, the Postal Service is required to consider the impact of changes in such rates on enterprises in the private sector engaged in the delivery of mail matter other than letters?

RESPONSE

Yes.

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AAPS/USPS-T36-2. Please explain, in detail, how the Postal Service considered the impact of changes in the Standard, ECR saturation rates proposed in this case on enterprises in the private sector engaged in the delivery of mail matter other than letters.

RESPONSE

The Postal Service's billing determinants indicate that there is only a trivial amount of ECR nonletter mail that is not flat shaped, so the impact, if any, would affect few enterprises. The proposed rates for minimum per piece-rated Saturation-rate flats will increase greater than the subclass average, assuming that Saturation mailers continue to use detached address labels to address their mail pieces. The proposed increase for DAL-addressed pound-rated Saturation pieces of average weight will also be above the subclass average. The Postal Service considers that its proposed increases, which are above average, should not have an undue or unfair effect on enterprises in the private sector engaged in delivery of mail matter other than letters.

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AAPS/USPS-T36-6. In Docket No. R2000-1, USPS witness Moeller (T-35) testified, at pages 19-20, that in its proposal in that docket, the Postal Service addressed objections that had been raised by “private alternatives” in Docket No. R97-1 to the reduced pound rate proposed there. Has the Postal Service addressed those concerns here? If so, how. If not, why not?

RESPONSE

Yes. The proposed ECR pound rate incorporates a very modest reduction—only 0.3 percent. Compared to the ECR pound rate in effect as late as to January 7, 2006, my proposal actually reflects an increase of 5.5 percent. As is well known, the Postal Service’s most recent rate changes resulted from an “across the board” proposal and did not attempt to adjust the ECR piece and pound rate elements differentially. Seen in this light, my modest adjustment to the “across the board” determined pound rate element cannot be seen by any reasonable and impartial observer as a predatory or anticompetitive attempt to grab large chunks of market share from providers of alternative delivery services.

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AAPS/USPS-T36-8. Please explain the manner and the extent to which the Postal Service considered whether the proposed rates, which will increase for relatively lightweight Standard, ECR Saturation pieces with DDU entry and decrease for relatively heavy Standard Saturation pieces with DDU entry, will encourage movement from stand-alone mailings into multi-piece shared mail and the revenue/contribution implications to the Postal Service of such movement.

RESPONSE:

The observed rate decrease for certain heavier ECR pieces is the result of passing along increased drop ship savings estimates. Non dropshipped heavy weight ECR flats will see a rate increase in my proposal. In developing the proposed rates the Postal Service considered that moderate increases or reductions for heavier weight pieces might possibly encourage existing mail pieces to become heavier. One way for pieces to become heavier is for DDU entered Saturation shared mail pieces to increase their average weights. The Postal Service has not studied whether, or the extent to which, any weight increase that might occur, would result from the expansion of existing components in the shared mailing, or from adding new advertising pieces to the shared mailing. Nor does the Postal Service know the extent to which any newly added advertising material in shared mailings might come from existing standalone mail. The Postal Service has not estimated any revenue or contribution changes that might arise from mailers responses to this specific component of its proposed ECR rate design.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

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