

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 YEH
TO INTERROGATORIES OF AMAZON.COM, INC.
(AMZ/USPS–T38–23, 25(a) & (b), 26, 27)**

The United States Postal Service hereby provides the responses of witness Yeh to the following interrogatories of Amazon.com, Inc., filed on July 13, 2006:

AMZ/USPS–T38–23, 25(a) & (b), 26, 27. Interrogatories 25(c) and (d) were redirected to the Postal Service. The data required to respond to AMZ/USPS-T38-24 is forthcoming and an answer is expected to be filed within the next two days.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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AMZ/USPS-T38-23.

Please refer to USPS-LR-L-41, file R2006_USPS-LR-L-41_Media and Library Spreadsheets.xls, tab FY 2005 Billing Determinants, WP-MM-2. The volume data shown there for both Media and Library Mail are broken down by (i) first pound, (ii) second through seventh pound, and (iii) eighth pound and over.

- a. Do you have base year volume and weight data for Media Mail and Library Mail broken down by finer weight increments, such as one pound increments?
- b. If so, please provide such data.

RESPONSE:

- a. Yes.
- b. Please see the following table:

Estimated Number of Pieces
FY 2005 Billing Determinants

Pounds	Media Mail Single Piece	Media Mail Presort	Library Mail Single Piece	Library Mail Presort
0-1	60,131,676	10,314,021	5,872,152	289,355
1-2	46,996,753	16,400,825	4,487,621	272,273
2-3	16,936,882	6,101,051	1,545,532	87,647
3-4	7,764,969	1,731,479	680,717	23,126
4-5	4,219,123	565,460	380,588	22,005
5-6	2,316,824	296,803	194,261	1,528
6-7	1,414,239	186,452	112,207	5,717
7-70	3,660,429	563,589	366,691	13,476

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AMZ/USPS-T38-25.

Please refer to your testimony at page 4, lines 6-7.

- a. Please explain what the purpose was of allowing the weight of BPM mail pieces to increase to 15 pounds.
- b. Please discuss the extent to which that purpose has been achieved.
- c. To what extent has increasing the weight limit to 15 pounds resulted in an increase in the average unit cost of BPM?
- d. Would you characterize such increase in unit cost as has occurred a disproportionate increase in unit cost? Please explain.

RESPONSE:

- a. Please see pages 4 – 6 of Witness Adra's testimony in Docket No. R97-1.
- b. To the extent there is volume between 10 and 15 pounds, the purpose has been achieved. Please see the data to be provided in response to AMZ/USPS-T38-24.
- c.-d. Redirected to the Postal Service

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AMZ/USPS-T38-26.

- a. Please confirm that your work paper WP-BPM-8 ("Calculation of TYBR Pieces and Pounds") in file R2006_USPS-LR-L-41_BPM Spreadsheets.xls of USPS-LR-L-41 shows that parcels/IPP's account for (i) 61 percent of Basic Presort BPM, (ii) 35 percent of Carrier Route BPM, and (iii) 54 percent of Basic and Carrier Route BPM combined. If you do not confirm, please provide the correct percentages.
- b. Over the past 10 years, has the share of parcels in Basic and Carrier Route BPM increased? If so by approximately how much?

RESPONSE:

- a. Confirmed.
- b. BPM by shape data are only available for test years used in Docket R2001-1 and the current docket. Please refer to Witness Kiefer's workpaper WP-BPM-26 ("Calculation of TYBR Pieces and Pounds") in file BMPWP.xls of USPS-LR-J-106.

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AMZ/USPS-T38-27.

Please refer to your testimony at page 4, lines 18-21, where you state that:

The rates for BPM and for Media Mail (formerly Special Rate Fourth-Class Mail and then Special Standard Mail) evolved in such a way that, in some instances, BPM rates became cheaper than the corresponding rates for Media Mail (which was a preferred subclass).

- a. Please confirm that, at your proposed Single-Piece (zoned) rates for BPM and (unzoned) rates for Media Mail, for parcels that weigh more than 1 pound, the BPM rates to zone 5 are always less than the Media Mail rates for the corresponding weight. If you do not confirm, please indicate those zones, in zones 1-5, where the Media Mail rate is lower than the BPM rate for the corresponding weight.
- b. Please confirm that, at your proposed Basic Presort (zoned) rates for BPM and your (unzoned) rates for Media Mail for parcels that weigh more than 1 pound, the BPM rate to zone 6 is always less than the Media Mail rates for the corresponding weight. If you do not confirm, please indicate those zones, in zones 1-5, where the Media Mail rate is lower than the BPM rate for the corresponding weight.
- c. Please confirm that, at your proposed rates for Basic Presort Destination Entry BPM, the rate for parcels (and flats) is always less than the Media Mail rate for the corresponding weight. If you do not confirm, please list all exceptions.
- d. Please confirm that, at your proposed rates for Media Mail, the BPM rate for parcels to zone 7 is always less than the Media Mail rate for the corresponding weight. If you do not confirm, please indicate those zones, in zones 1-7, where the Media Mail rate for parcels is lower than the corresponding BPM rate.
- e. Please confirm that your proposed Destination Entry rates for carrier route presorted BPM parcels (and flats) are always less than the Media Mail rate for the corresponding weight. Please explain any non-confirmation.
- f. For those items that can be mailed as BPM or Media Mail (e.g. books), would you agree that BPM generally offers lower rates to mailers who presort and enter their mail at destination facilities?
- g. Would you agree that the rate structure for BPM, which (i) is zoned, (ii) has both presort and destination entry rates, (iii) has automation (barcode) discounts for mail that can take advantage of automated processing, and (iv) has a flat/parcel shape differential, is more economically efficient than the rate structure for Media Mail, which by law is unzoned and has no destination entry rates? Please explain any disagreement.

RESPONSE:

- a. Confirmed.

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b. Confirmed

c. Not Confirmed. The exceptions are:

Media Mail	less than	BPM Basic Presort
5-Digit 1lb.		DBMC Zone 5 1lb.

d. Not confirmed. The exceptions are:

Media Mail 1lb.	less than	BPM Single Piece 1lb.
Single Piece 5-Digit Presort Basic Presort		Zones 1 - 7

Media Mail Single Piece	less than	BPM Single Piece
Pounds 1 - 15		Zone 7
Pounds 1 - 12		Zone 6

Media Mail Basic Presort	less than	BPM Single Piece
Pounds 1 - 15		Zones 6 and 7
Pounds 1 - 7		Zone 5
Pounds 1 - 4		Zone 4
Pounds 1 - 3		Zone 3
Pounds 1 - 2		Zones 1& 2

Media Mail 5-Digit	less than	BPM Single Piece
Pounds 1 - 15		Zones 6 and 7
Pounds 1 - 13		Zone 5
Pounds 1 - 7		Zone 4
Pounds 1 - 5		Zone 3
Pounds 1 - 4		Zones 1& 2

e. Confirmed.

f. Based on the proposed rates, yes.

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g. No. Please see the exceptions I provided in my response to parts [c] and [d].

The rate structure should be considered in context. The proposed rates satisfy a balance of all the rate design objectives.