

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 INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION  
(PSA/USPS-T36-6)

The United States Postal Service hereby files the response of witness Kiefer to above-listed interrogatory, filed on June 8, 2006

The interrogatory is stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Nan K. McKenzie

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June 22, 2006

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER TO  
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION

**PSA/USPS-T36-6.** Please refer to USPS-T-36, WP-STDREG-1 and USPS-T-13, Attachment 14.

(a) Please confirm that your Standard Regular rate design spreadsheet assumes that 100% of Standard Regular parcels will be barcoded in TYAR. If not confirmed, please provide the correct figure and all of your underlying calculations.

(b) In FY 2005, what percentage of Standard Regular parcels were barcoded?

(c) Please provide your best estimate of the TYAR cost savings that will result from the increase in the proportion of Standard Regular parcels that will be barcoded and provide your underlying calculations.

(d) Please confirm that the cost savings specified in subpart (c) of this interrogatory have not been incorporated into the Standard Regular parcel unit mail processing cost estimates in Attachment 14 to USPS-T-13. If not confirmed, please explain fully.

(e) Assume that, in TYAR, the proportion of Standard Regular parcels that are barcoded will be the same as specified in subpart (b) of this interrogatory. How much higher would your estimate of Standard Regular parcel revenue be? Please provide your underlying calculations.

(f) Please explain the basis for your assumption that, in TYAR, all Standard Regular parcels will be barcoded.

**RESPONSE**

a. Confirmed.

b. I do not have an accurate count either of barcoded parcel-shaped pieces or even of total parcel-shaped pieces for FY 2005. Standard Mail Regular parcels include not only parcels that pay the residual shape surcharge (RSS) but also an unknown number of parcel-shaped pieces that currently pay automation flats rates under the UFSM 1000 flats eligibility rules. All of the parcels in the latter group would be barcoded, though with a Postnet barcode. Machinable parcels that pay the RSS and that are barcoded are eligible for a barcode discount and the Postal Service's RPW system has counts of parcels claiming the barcode discount. But there may be additional parcels that are barcoded that do not receive the discount. I do not know how many fall into this last category. Billing determinants data show that the total barcode discount adjustment for FY 2005 was about \$9.7 million, implying that about 325 million Standard Mail Regular parcels took the three-cent barcode discount. These 325 million pieces constitute about 56% of total Standard Mail

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Regular pieces paying the RSS, or about 62% of pound rated pieces paying the RSS. Piece-rated parcels are too light to be machinable and so are not eligible for the barcode discount, whether barcoded or not. The pound-rated pieces category also contains some pieces that are too light to be considered machinable, so the 62% figure understates the proportion of machinable parcels that are barcoded to some unknown extent.

- c. Please see my response to subpart (b). Without a better estimate of the current proportion of parcel-shaped pieces that are barcoded as well as further information on what percentage of currently non-barcoded parcels would end up sorted by machine, I cannot make this calculation.
- d. Confirmed. Since the cost calculation is not possible, it cannot be incorporated.
- e. Please see my response to subpart (b). The proportion of Standard Mail Regular parcel-shaped pieces that are barcoded is unknown, so I cannot answer this question.
- f. My rate proposals contain a surcharge of five cents for each Standard Mail parcel that does not bear a barcode. I believe that this surcharge provides a strong economic incentive to Standard Mail parcel mailers to affix a barcode on each parcel. While some mailers may opt to pay the surcharge, I believe that the incentive would generate a high rate of compliance with the barcoding requirement. In that light, assuming 100% compliance for the purposes of revenue estimation seemed a reasonable simplifying assumption, especially since this assumption was not likely to have a substantial impact on Standard Mail rates or revenues.

## **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.

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