

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes

Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 8

(Issued July 14, 2006)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for a recommended decision on proposed rates, fees and classifications. To facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by July 28, 2006.

1. The purpose of this question is to clarify witness Tang's responses to MPA/USPS-T35-1(f) and MPA/USPS-T35-10.
 - a. Please confirm that the reference in the response to MPA/USPS-T35-10 to "witness Loetscher's response to TW/USPS-T28-7(c-d)" should be "witness Loetscher's response to TW/USPS-T28-17(c-d)." If not confirmed, please explain fully.
 - b. Does the Postal Service anticipate assessing a container charge for Outside County Periodicals presented as:
 - i. containers other than sacks and pallets, and
 - ii. bed-loaded bundles?

Please explain fully and provide the appropriate citations to the Postal Service filing.

- c. Please provide a breakdown of the Periodicals flats volume shown in Table 3 of USPS-LR-L-91 by the container types shown on page 8 of USPS-LR-L-91.
2. Please clarify whether presortation is a requirement of Periodicals mailers. Please provide citations to support your response.
3. The capital factors for components 1208 and 1219 in the Test Year Before Rates and After Rates files found in USPS-LR-L-6, *TY2008BR_FacilSpace_Equip_UseTY_USPS_ForFiling.XLS* and *TY2008AR_FacilSpace_Equip_UseTY_USPS_ForFiling.XLS* do not match the factors for those components calculated in the file *Ty08Equipment.XLS* which is found in USPS-LR-L-54. Please reconcile the differences.
4. Please discuss the factors considered in the demand analysis of Classroom Rate Periodicals. Specifically,
 - a. did you test the impact of primary and secondary school population trends on the combined demand equation for Nonprofit and Classroom Periodicals?
 - b. Were any factors identified that contributed exclusively to the fluctuations in Classroom volume over the period 1970 to 2005?
5. Please refer to your testimony where you state, at USPS-T-7 at 206: "In addition to affecting the price of newspapers and magazines by being incorporated into subscription rates, the price charged by the Postal Service will also affect the demand for Periodicals mail directly by affecting publishers' decisions over how to deliver their Periodicals. For example, the delivery requirements of many weekly newspapers can be satisfied by either mail or private delivery."

- a. Has the Postal Service conducted any studies since the beginning of calendar year 2004 related to the feasibility of private delivery as an alternative to weekly newspaper delivery via the Postal Service? If so, please describe the findings.
 - b. Do you consider the second sentence in quoted passage to apply equally to all copies of weekly newspapers, or primarily to those intended for delivery within the county of publication? Please explain or clarify.
6. The TSP output logs in USPS-LR-L-56 identify two input data files, MODS9505Q and REG9505Q. Please identify the location of these files in Postal Service submissions. If not yet submitted, please provide them.
7. Please provide runs of the following USPS-LR-L-56 programs using the input data file named vv9905.xls that is also contained in USPS-LR-L-56 and provide the output logs:

 - varmp_tpf_OTHAUTO_by2005.tsp
 - varmp_tpf_BCSSINGLE_by2005.tsp
 - varmp_tpf_AFSM_by2005.tsp
 - varmp_pp_MANPARPRI_by2005.tsp
 - varmp_man_LETFLT_by2005.tsp
8. Please confirm that the cost pool variability factors in the table below are the output produced by running the econometric models provided in USPS-LR-L-56 (TSP programs listed in question 2), but using different data files, namely, MODS9505Q, REG9505Q, and vv9905.xls.

Variability factors from identical TSP programs/models using different datasets (one dataset provided in USPS-LR-L-56)					
Docket No. R2006-1, T-12, LR-L-56					
Witness Bozzo					
Cost Pool	Variability factors extracted from the TSP output log (provided with LR-56 and proposed in R2006-1) using the datasets MODS9505Q and REG9505Q (not provided with LR-56)		Variability factors extracted from the same TSP program (provided with LR-56) runs using the dataset vv9905.xls (provided with LR-56)		
D/BCS*	0.88		n/a		
D/BCS Incoming	0.823191		0.723109		
D/BCS Outgoing	1.0562		1.0594		
OCR/	0.782744		0.8892		
FSM/1000	0.718714		0.849835		
AFSM100	0.99295		0.876713		
SPBS	0.866437		0.843385		
Manual flats	0.936682		0.942339		
Manual letters	0.892369		0.841883		
Manual parcels	0.797821		1.42003		
Manual Priority	0.751602		1.38123		
Cancellation	0.50476		0.535176		
*Weighted average of D/BCS Incoming and D/BCS Outgoing variabilities					
Note: Programs from columns (a) and (b) are varmp_tpf_OTHAUTO_by2005.tsp, varmp_tpf_BCSSINGLE_by2005.tsp, varmp_tpf_AFSM_by2005.tsp, varmp_pp_MANPARPRI_by2005.tsp, varmp_man_LETFLT_by2005.tsp					

9. The three data files, MODS9505Q, REG9505Q, and vv9905.xls, all appear to involve 368 firms for 44 time periods. Please explain how they differ.

10. Consider the following elasticity (variability factor) formula extracted from the varmp_tpf_OTHAUTO-by2005.tsp program in USPS-LR-L-56:

$$m00vv_ = (b1 + e1 + e2 + e3 + e4) + 2*(b11*Intph.00m + e11*Int._100m + e22*Int._200m + e33*Int._300m + e44*Int._400m) + b13*trend.00m + b14*Indpt.00m + b15*Incap.00m + b16*Inw.00m$$

Please provide a complete example illustrating how to calculate an "m00vv_." elasticity. Include all necessary parameters and mean variable values. Identify the points in the program where the means and the natural logs of the variables used to calculate the elasticity are taken.

11. Please refer to worksheet "WP-3: Certificate of Mailing" in the revised version of USPS-LR-L-124. The volume data for TYAR Standard Regular and TYAR

Standard Nonprofit (in cells U20 and U22 respectively) do not match the volume data in “WP-15: Volume Input Data.” Please explain the discrepancy.

12. On its web site, the Postal Service identifies significant changes to Bound Printed Matter (BPM) stating that “to simplify retail transactions, [Single-Piece] BPM would no longer be available at retail.” See http://www.usps.com/ratecase/ps_faqs.htm). In her testimony, witness Yeh indicates that “the Postal Service intends to amend its regulations to require that [Single-Piece BPM, which the witness proposes to rename Nonpresort] be paid either by customer-generated postage meter or permit imprint.” USPS-T-38 at 6, n.2. Witness Yeh states that this change is designed “to reduce the complexity of retail transactions for customers and to simplify window service operations[.]” *Ibid.* With respect to the proposal to restrict eligibility to Single-Piece (Nonpresort) BPM, please answer the following questions. In response, please provide the underlying data that support the answer, including identifying the relevant witness(es) who addresses the issue in his/her testimony.
 - a. Identify the TYAR cost savings associated with this proposal.
 - b. Identify TYAR volume effects of this proposal for each affected subclass, i.e., BPM, Parcel Post, Media Mail, and Priority Mail.
 - c. Identify TYAR revenue effects of this proposal for each affected subclass, i.e., BPM, Parcel Post, Media Mail, and Priority Mail.

13. In his response to interrogatory VP/USPS-T30-17, witness Kelley states “USPS-LR-L-67 provides a reasonable estimate of the delivery costs for DALs However, I do not think that the DAL costs in USPS-LR-L-67 can be mechanistically applied to estimate the change in total costs that would be anticipated for a substantial reduction in DALs (e.g., 50 percent, or 100 percent).”
 - a. Please confirm the Cost Segment 7 DAL delivery costs developed in tab “10.DALs” of workbook UDCModel.USPS in USPS-LR-L-67 are the

- volume variable costs of ECR Saturation Letters (DPSed, cased, or sequenced) combined with the volume variable cost of the host piece. If not confirmed, please explain fully.
- b. Please confirm the Cost Segment 6 DAL delivery costs developed in tab "CARMMCaseing" of workbook UDCInputs.USPS in USPS-LR-L-67 are volume variable casing costs calculated directly from IOCS tallies of DALs. If not confirmed, please explain fully.
 - c. In her testimony, Witness Coombs states "Experience in today's delivery units suggests that the sequenced flat-shaped pieces will be taken directly to the street in most cases. This tends to validate the belief that the handling of these flat-shaped pieces is unaffected by the presence or absence of a DAL." USPS-T-44 at 13. Please state all significant operational differences in the treatment of Saturation Flats based on the presence or absence of an address. Further, please state and explain any measurable cost differences caused by these operational differences.
 - d. Please confirm that compensation for rural carriers does not vary based on whether Saturation Flats have an address or not. If not confirmed, please explain fully.
14. In his response to interrogatory VP/USPS-T30-17, witness Kelley further states "the issue with respect to total costs would be the cost consequences of handling the associated flats (i.e., the no longer-host pieces). Depending on how the remaining flat pieces are handled, additional costs might or might not offset some portion of the savings obtained by not having to handle the DALs."
- a. Does USPS-LR-L-67 take into account changes in delivery costs related to changes in mail processing and delivery operations?
 - b. If not, please provide rationale for the reservation in defining the DAL costs based on concern for future operations.

15. Please refer to USPS-T-32, pages 20-21, where the rationale for the proposal to eliminate the automation carrier route presort discount for First-Class letters is presented. Witness Taufique states that the “current and future processing of letter-shaped mail requires delivery point sequencing of mail at destinating Processing and Distribution Centers.” He further explains that “fewer delivery units have Carrier Sequence Bar Code Sorter (CSBCS) equipment” and “[w]hen CSBCS equipment is removed from the remaining delivery units, all of this mail will be merged in the 5-Digit Automation rate category[.]”
- a. How many delivery units had CSBCS equipment in the base year?
 - b. How many delivery units are projected to have CSBCS equipment in the test year?
 - c. Does the Postal Service currently have a plan to remove all CSBCS equipment from delivery units? If so, what are the estimated starting and completion dates for the planned phase-out of this equipment?
 - d. USPS-LR-L-141 (which utilizes PRC cost attribution methodology) shows an estimated savings of 1.237 cents per piece for First-Class automation carrier route presort letters as compared to automation 5-digit presort letters at CSBCS/manual sites. Please present a parallel estimate of savings for automation carrier route presort letters using the Postal Service’s proposed costing methodology.

George Omas
Presiding Officer