

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**NOTICE OF REVISED RESPONSES OF UNITED STATES POSTAL SERVICE
WITNESS SMITH, USPS-T-13, TO INTERROGATORIES OF PARCEL SHIPPERS
ASSOCIATION: PSA/USPS-T13-5, 6, AND 11
(August 22, 2006)**

The United States Postal Service hereby provides the revised responses of witness Smith (USPS-T-13) to the above-referenced interrogatories of Parcel Shippers Association. The original response to interrogatory 5 was filed on May 30, 2006. The response has been revised substantially. The original response to interrogatory 6 was filed on June 19, 2006. The ratio of 89.9 percent in the original response is changed to 86.3 percent in the revision, and the related 10.1 percent in the original response is changed to 13.7 percent. The original response to interrogatory 11 was filed on July 10, 2006, and references an attachment; the revised response supplies a new attachment

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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August 22, 2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
PSA/USPS-T13-5**

PSA/USPS-T13-5. Please refer to lines 7-22 on page 34 of your testimony, which discusses the inconsistency between the cost and volume data that necessitates the Standard Regular flat-parcel adjustment.

(a) Is the classification of cost and volume of pieces that are between $\frac{3}{4}$ " and $1\frac{1}{4}$ " thick and prepared as flats the only inconsistency between the cost and volume data? If not, please list all other pieces for which the cost and volume data have classification inconsistencies.

(b) Are there any inconsistencies in how ODIS-RPW and cost systems classify the types of pieces listed in your response to subpart (a) of this interrogatory? If so, please explain fully.

Response:

- a. No. DMM section 301.3.4.2 allows automation flats rates for pieces longer up to 15-3/4 inches, while the IOCS and CCCS have a 15 inch maximum length for flats.

In addition, I am told the following regarding CCCS and RCCS. In the CCCS, if a Standard flat shaped mail piece that is less than $\frac{3}{4}$ inch thick is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system, while the RPW by shape volume (LR-L-87) will treat this as a flat.

In RCCS, there are two instances for Standard flat shaped mail pieces less than $\frac{3}{4}$ inch thick which the RPW by shape volume (LR-L-87) treat as flats, but RCCS treats as a parcel. First, if a Standard mail piece is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle in the parcel compensation category, using the top-piece rule. Secondly, in RCCS, rigid flats (including properly prepared "do

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not bend" mailpieces) that exceed five inches in height are recorded in the parcel compensation category.

- b. Yes. The ODIS-RPW sample based volume system is inconsistent with the cost systems regarding the last three of the cases listed above for CCCS and RCCS. Specifically, the Standard Regular flats pieces that are less than 3/4th inch thick which are treated as flats in ODIS-RPW sample based volumes, but treated as parcels in the CCCS and RCCS are pieces:

- put into parcel hampers for delivery by city carriers using a two case system,
- that are the top piece of a direct bundle for delivery by rural carriers or
- that are sufficiently rigid so as not to fit into the carrier case given delivery by rural carriers.

The frequency of these circumstances is not known, but is thought to be low, so ODIS-RPW sample based volumes by shape are substantially consistent with reporting of costs by shape. These three instances affect city carrier street and rural carrier costs, not mail processing or city carrier in-office costs. Mail processing and city carrier in-office costs are based on IOCS, which reports costs by shape in exactly the same way as ODIS-RPW sample based volumes, based on piece dimensions.

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PSA/USPS-T13-6**

PSA/USPS-T13-6. Please refer to your response to PSA/USPS-T13-2 where you state, "A second suggested approach involved dividing Standard Regular parcel costs between those parcels with Postnet 9 or 11-digit barcodes and those without. The Postnet 9 or 11-digit barcode was to be an indicator of automation flats preparation and costing such pieces as flats, with the remainder as parcels. The impact of this approach was a 35.7% reduction in the parcel unit costs based on FY 2000 IOCS data. It was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation, so this was dropped."

(a) Please explain why the Postal Service believes that the presence of "Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation."

(b) Please explain how "[i]t was determined that the Postnet 9 or 11-digit barcodes on parcels was not a good indicator for automation flats preparation."

(c) Please confirm that reducing the parcel unit cost by 35.7% would produce a Test Year unit mail processing cost for Standard Regular parcels of 50 cents per piece. If not confirmed, please provide the correct figure.

Response:

a-b. A brief examination of Postnet barcodes as an indicator of automation flats rate preparation showed that Postnet 9 or 11-digit barcodes could be found on Standard Regular parcels (thicker than 1 ¼ inch) and also on some Package Services mail pieces such as Parcel Post, even though Postnet barcodes are not used in parcel sorting by either the Postal Service or mailers. Some mailers may be including Postnet 9 or 11-digit barcodes on the address labels for all their Standard Regular parcels, whether or not such pieces are prepared for automation flats rates. It appears that some mailers are using the same database that produces the correspondence address blocks, including the Postnet barcode, to print the parcel address labels. Such mailers do not suppress the Postnet barcode when using the database to produce the parcel labels. As a

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result, the presence of a Postnet 9 or 11-digit barcode was believed/determined to be insufficient or unreliable as an indicator of automation flats rate preparation.

It should also be noted that the 35.7 percent cost share for the Standard Regular parcels with Postnet barcodes based on FY 2000 IOCS, contrasts with the apparently low share of Standard Regular parcels prepared as automation flats rates for that year. This low share can be shown using FY2000 volume data which corresponds to volume data used for the Standard Regular flats-parcel cost adjustment for FY 2005. As reported in my Attachment 13, for FY 2005, the ratio of Standard Regular parcel volumes from RPW by Shape Report data (from USPS LR-L-87) to the Standard Regular parcel volumes from ODIS-RPW sample based system is 76.6 percent, indicating a 23.4 percent volume share for pieces prepared as automation flats rated. In FY 2000, this same ratio was 86.3 percent, indicating a 13.7 percent volume share for Standard Regular parcel shaped pieces that were prepared as automation flats.

- c. I can confirm that if one were to reduce the unadjusted test year Standard Regular Parcel unit cost of 77.84 cents reported in my Attachment 13 by 35.7 percent, it would equal 50.05 cents. However, I reject such an approach since as indicated in my response to parts a-b, the presence of a Postnet 9 or 11-digit barcode is not a reliable indicator of automation flats rate preparation.

REVISED 8/22/2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO
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PSA/USPS-T13-11**

PSA/USPS-T13-11. Please refer to the attachment to your response to PSA/USPS-T13-3. Please provide Standard Regular RPW volume by shape and Standard Regular ODIS destinating volume by shape controlled to RPW report totals for each fiscal year from FY 1997 to FY 2005.

RESPONSE:

See the attachment to this response, which contains the requested volume data.

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PSA/USPS-T13-11**

COMPARISON OF STANDARD REGULAR RPW AND ODIS VOLUMES BY SHAPE FOR FY1997 TO FY2005

RPW SHAPE REPORT VOLUME BY CLASS & SHAPE
Volume In Thousands

Source: LR-L-87 Shape GFY 2005rV.xls and predecessors.

FY	Letters/Cds.	Flats	Parcels/PPs	All Shapes
1997	27,987,649	13,865,284	852,716	42,705,649
1998	30,082,582	14,714,976	854,093	45,651,650
1999	33,724,748	15,421,273	799,839	49,945,860
2000	37,872,913	15,771,844	711,753	54,356,510
2001	40,421,962	14,996,482	676,623	56,095,067
2002	40,725,213	13,497,171	640,574	54,862,958
2003	43,928,876	13,625,157	610,021	58,164,054
2004	48,117,714	13,859,534	590,572	62,567,820
2005	51,289,509	14,028,861	600,304	65,918,674

**ORIGIN-DESTINATION INFORMATION SYSTEM DESTINATING
VOLUME BY CLASS & SHAPE**
Volume In Thousands
Controlled to RPW

Source: ODIS-RPW UDS file and predecessors.

Letters/Cds.	Flats	Parcels/PPs	All Shapes
29,015,635	12,859,065	830,949	42,705,649
31,179,949	13,614,401	857,300	45,651,650
34,345,319	14,688,773	911,769	49,945,860
38,223,109	15,308,226	825,175	54,356,510
40,344,656	14,968,069	782,342	56,095,067
40,047,299	14,011,353	804,306	54,862,958
43,298,128	14,048,555	817,371	58,164,054
47,479,534	14,306,463	781,823	62,567,820
50,560,811	14,573,851	784,012	65,918,674

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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