

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JAMES M. KIEFER TO INTERROGATORIES OF
ASSOCIATION FOR POSTAL COMMERCE
(POSTCOM/USPS-T33-1, 2(a)-(c), 4(a)-(d), (g) and (h), 5, and 6)

The United States Postal Service hereby files the response of witness Jennifer L. Eggleston to the following interrogatories of the Association for Postal Commerce: POSTCOM/USPS-T33-1, 2(a)-(c), 4(a)-(d), (g) and (h), 5, and 6, filed on October 11, 2001. The following Interrogatories were redirected: 2(d) to witness Loetscher; 3 to the Postal Service; and 4(e) and (f) to witness Eggleston.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Scott L. Reiter
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999 Fax -5402
October 25, 2001

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POSTCOM/USPS-T33-1. Please refer to page 19 of USPS-T-39 where witness Kingsley states, "This supports limiting the proposed BPM flats barcode discount and the flat and parcel rate distinction (witness Kiefer, USPS-T-33) to AFSM 100 compatible criteria."

(a) Is the Postal Service planning to limit eligibility for the BPM flats discount of \$0.08 to flats that are AFSM 100 compatible?

(b) If your response to subpart (a) is yes, please list all AFSM 100 compatibility criteria. If the AFSM 100 compatibility criteria have not been finalized yet, please provide the Postal Service's best guess at what the AFSM 100 compatibility criteria will be and indicate by when the AFSM 100 compatibility criteria will be finalized.

(c) If your response to subpart (a) is no, please provide the definition of a flat that will be used to determine eligibility for the flats discount. If the criteria have not been finalized yet, please provide your best guess at what the criteria will be and indicate by when the criteria will be finalized.

(d) Is the Postal Service planning to limit the eligibility for the BPM flats barcode discount to flats that are AFSM 100 compatible? If not, what will the eligibility requirements be? If the eligibility requirements have not been finalized yet, please provide your best guess at what the requirements will be and indicate when the requirements will be finalized.

(e) Will all barcoded, DBMC, non-carrier route BPM pieces that are processed at a BMC be eligible for either the parcel barcode discount or the flat barcode discount? If your answer is anything but an unqualified yes, please explain what types of barcoded, DBMC, non-carrier route pieces will not be eligible for a barcode discount and estimate the percentage of BPM pieces that fall into these categories.

(f) Will all barcoded, DSCF, non-carrier route BPM pieces be eligible for either the parcel barcode discount or the flat barcode discount? If your answer is anything but an unqualified yes, please explain what types of barcoded, DSCF, non-carrier route pieces will not be eligible for a barcode discount and estimate the percentage of BPM pieces that fall into these categories.

RESPONSE

The Postal Service assumes for the purpose of responding to this question that the "discount of \$0.08" refers to the rate differential between the proposed rates for BPM flats and the proposed rates for BPM parcels and irregular pieces and parcels. The size

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of the proposed differential is 7.7 cents for Presorted BPM and 8 cents for Single-Piece BPM.

- (a) The Postal Service has no *a priori* intention to automatically link the eligibility requirements for BPM flats rates to the AFSM 100 machinability requirements, although it is possible that the two sets of requirements may emerge as substantially similar, or even identical.
- (b) Not applicable.
- (c) The criteria have not been finalized yet. It is expected that the final rule outlining all of the eligibility requirements for the flats rate differential will be published in the late summer of 2002. A draft rule will be published in the Federal Register and be available for comment prior to that time. In the absence of a draft rule, the best current guidance on the eligibility requirements for the flats rate differential is contained in the testimony of witness Linda Kingsley (USPS-T-39). See, in particular, Chapter II, section E, pages 27-28.
- (d) The Postal Service expects that the eligibility requirements for the BPM automatable flats barcode discount will eventually include the requirement that pieces be AFSM 100 compatible. I am informed that the AFSM 100 compatibility requirements have not been finalized yet. The Postal Service is conducting an engineering analysis of mail processing on the AFSM 100 and this study is currently expected to be complete by the beginning of calendar 2002. The engineering analysis, when complete, will serve as the basis for drafting the AFSM 100 standards, which will appear in a Federal Register notice for comment

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before being finalized. Prior to completing the engineering analysis, no sound basis is available for projecting the final form of the standards.

- (e) No. All properly prepared and entered barcoded DBMC machinable parcels are currently eligible and will continue to be eligible for the parcel barcode discount. Nonmachinable pieces and parcels will not be eligible for any barcode discount. Typically flats entered at DBMC rates are not processed at the BMCs, but are cross-docked in pallets, sacks or packages to the appropriate ADC or SCF for processing. It is estimated that only a small amount of mixed ADC flats and packages, if any, may be sorted to ADCs at the DBMC. If properly prepared, entered and barcoded, these flats would be eligible for the automatable flats barcode discount if they meet all the other applicable eligibility requirements for the discount. The Postal Service does not know what percentage of DBMC non-carrier route BPM would fail to meet these eligibility requirements but, for machinable parcels and automatable flats, the percentage is believed to be small.
- (f) No. DSCF mail processing cost savings estimated for machinable parcels assume that these parcels are already sorted to 5-digit ZIP Codes when entered at the DSCF. For this reason a parcel barcode, which is used to sort parcels to 5-digit ZIP Codes, generates no real additional cost savings for DSCF machinable parcels and these parcels will not be eligible for the parcel barcode discount. Nonmachinable pieces and parcels are manually sorted at DSCFs, hence they will not be eligible for any barcode discount. If properly prepared, entered and barcoded, non-carrier route flats entered at DSCF rates would be

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eligible for the automatable flats barcode discount if they meet all the other applicable eligibility requirements for the discount. The Postal Service does not know what percentage of DBMC non-carrier route BPM flats would fail to meet these eligibility requirements, but the percentage is believed to be small. The Postal Service estimates that 100% of DSCF machinable and nonmachinable parcels would not be eligible to receive the parcel barcode discount.

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POSTCOM/USPS-T33-2. Please refer to USPS-LR-J-106, SWP2-1.

(a) Are the volume figures in this workpaper FY 2000 volumes? If not, please explain fully.

(b) Please confirm that this workpaper shows that 45.9 percent of presorted BPM pieces are flats, 68.9 percent of CR presorted BPM pieces are flats, and 44.6 percent of Single-Piece BPM pieces are flats. If not confirmed, please provide the right figures.

(c) Please confirm that these flat volume shares from SWP2-1 were used to determine the TYAR volume of BPM flats that will be eligible for the BPM flats rates. If not confirmed, please explain fully.

(d) Please provide the exact definition of a flat that was used to develop the BPM flats volume shares shown in SWP2-1. Please also describe the data source that was used to produce SWP2-1.

RESPONSE

(a) The figures are Government FY 2000 volumes.

(b) Confirmed.

(c) Confirmed.

(d) This question has been redirected to witness Paul Loetscher (USPS-T-44) for response.

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POSTCOM/USPS-T33-4. Please refer to SWP3.1.

(a) Please confirm that the BPM Mail Category dropship volume shares shown in this workpaper are used to determine TYAR BPM dropship volumes and were derived from FY 2001 RPW data. If not confirmed, please explain fully.

(b) Please confirm that the FY 2001 data used to develop the dropship volume shares in SWP3-1 were only for a portion of FY 2001. If confirmed, from what portion of FY 2001 were the dropship volume shares derived? If not confirmed, please explain fully.

(c) Has the Postal Service or any of its contractors analyzed how dropship patterns for BPM changed after implementation of Docket No. R2000-1 rates? If so, please provide a copy of each analysis. If not, please provide your best guess at how they have changed.

(d) Are any data available from which one could derive the extent to which BPM dropship patterns changed after the implementation of Docket No. R2000-1 rates? If so, please provide the data in an electronic spreadsheet or database format.

(e) Has the Postal Service or any of its contractors estimated the cost savings that will result from the shift in BPM dropship patterns that resulted from the implementation of Docket No. R2000-1 rates? If so, please provide a copy of each analysis. If not, please provide your best guess as to how much these changes in dropship patterns will reduce TYAR BPM costs.

(f) Has the Postal Service or any of its contractors performed any adjustments to Test Year BPM costs to reflect the savings that will result from increased dropshipping? If so, please provide a citation to where the Postal Service made the adjustment.

(g) Does the Postal Service have any data (whether from RPW or a mail characteristics study) on FY 2000 dropship volume shares. If so, please provide a version of SWP3-1 based upon FY 2000 data.

(h) Please identify all FY 2001 BPM mail volume and mail mix data that you used to develop TYAR BPM billing determinants and explain how you used the data to determine TYAR billing determinants.

RESPONSE

(a) Confirmed, with the exception that zone splits for DBMC were not from FY 2001

RPW data but from the BPM Mail Characteristics Study, as stated in Footnote [2] to SWP3-1.

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- (b) Confirmed. These data were for Accounting Periods 6 through 10 of FY 2001 (1/27/2001 to 6/15/2001).
- (c) No. The Postal Service has no adequate basis to make such an assessment.
- (d) No data is available from which such an assessment could reasonably be made.
- (e) This question has been redirected to witness Jennifer Eggleston (USPS-T-25) for response.
- (f) This question has been redirected to witness Jennifer Eggleston (USPS-T-25) for response.
- (g) No such data exists.
- (h) Billing determinants are based on historical data; the latest billing determinants are those for fiscal year 2000. TYAR volume projections for BPM rate categories were based on FY 2000 billing determinants (reported in my workpapers as WP-BPM-3 and WP-BPM-4). Workpapers WP-BPM-26 and WP-BPM-27 show the derivation of TYAR volumes and revenues.

In some cases, the FY 2000 billing determinants did not contain the detail required to make the test year volume projections I needed to develop rates. In those cases I used data from FY 2001 to supplement the FY 2000 billing determinants. These instances included projecting destination entry volumes by rate category (DBMC, DSCF and DDU), where I used the volume shares developed in SWP3-1, based on FY 2001 data. I also used FY 2001 data for estimating the share of presorted BPM that would be eligible to receive the parcel barcode discount (Input [7b] on workpaper WP-BPM-1), since the introduction of

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destination entry rates on January 7, 2001 affected the eligibility of machinable parcels for the discount.

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POSTCOM/USPS-T33-5. Please refer to WP-BPM-12 and WP-BPM-15.

(a) Please confirm that the proposed DBMC piece rates pass through 56.4 percent of the DBMC per-piece cost difference identified on WP-BPM-12.

(b) Please confirm that the proposed DSCF piece rates pass through 64.6 percent of the DSCF per-piece cost difference identified on WP-BPM-12.

(b) Please confirm that the proposed DDU piece rates pass through 64.3 percent of the DDU per-piece cost difference identified on WP-BPM-12.

RESPONSE

(a) Confirmed.

(b) Confirmed.

(c) Confirmed.

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POSTCOM/USPS-T33-6. Please refer to footnote 3 of Schedule 522C. Please explain why flats weighing “one pound or less” are ineligible for Destination Delivery Unit Rates?

RESPONSE

The explanation is provided in my testimony (USPS-T-33) at page 33, lines 9-12.

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.

Scott L. Reiter

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Washington, D.C. 20260-1137
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