

Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY


Postal Rate and Fee Changes, 2001)

Docket No. R2001-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS: THOMAS M. SCHERER (OCA/USPS-T30-12-21)
December 10, 2001

Pursuant to Rules 25 through 28 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-21 dated September 28, 2001, are hereby incorporated by reference.

Respectfully submitted,


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OCA/USPS-T30-12. The following refers to Attachment C page 3, column (c) of your testimony. Please explain the full rationale and derivation for each of the various percentages shown when determining the migration of volumes from 2-pound rates to flat rates for the TYAR. Explicitly state all assumptions made and all sources relied upon. (Give citations to sources used, and copies if these sources are not on file with the Commission).

OCA/USPS-T30-13. The following refers to Attachment B pages 4 and 5, and Attachment C pages 6 and 7 of your testimony. For the following weight increments: flat rate, 1 pound and 2 pounds, you calculate the average weight of a Priority Mail piece. However, you do not treat weight increments greater than 2 pounds similarly. For example, consider the 3-pound Priority Mail weight category. An average weight for Priority Mail Pieces weighing between 2 to 3 pounds is not calculated.

- (a) Please explain fully the reasons for determining differently the "average weights" of the flat rate, 1 pound and 2 pound Priority Mail pieces on the one hand, and all other weight increments up to and including the 70 pound maximum on the other.
- (b) For weight increments 3 to 5 pounds, which represents approximately 20 percent of the GFY 2000 volumes ($244,438,319 / 1,222,454,421$), please explain why you did not calculate and use an average weight of a Priority Mail piece in the costing of the 3, 4 and 5 pound weight increments.

OCA/USPS-T30-14. Please refer to USPS-T-30 at 5, l. 4-9. Please provide Priority Mail's lower market share (Zones 1-4) when ground services such as UPS Ground are considered.

OCA/USPS-T30-15. Please refer to USPS-T-30 at 15, l. 18-19. What is the reason for the anomaly described?

OCA/USPS-T30-16. Please refer to USPS-T30 at 16, l. 20-21 – p. 17, l. 1-3 and l. 17 – 21. Please explain fully why you mitigate the over-five-pound rates by constraining an increase in these weights to 18.5 percent, but you do not mitigate the re-zoned below-five-pound rates. These are not constrained and, under your proposal, are permitted to increase as much as 64.4 percent. There are numerous examples of dramatic increases in the re-zoned Priority Mail rates, e.g.:

- 2 pounds, zone 7 increases by 36.7 percent
- 2 pounds, zone 8 increases by 45.6 percent
- 3 pounds, zone 7 increases by 51 percent
- 3 pounds, zone 8 increases by 64.4 percent
- 4 pounds, zone 7 increases by 46.5 percent
- 4 pounds, zone 8 increases by 60.5 percent
- 5 pounds, zone 7 increases by 42.8 percent
- 5 pounds, zone 8 increases by 57.8 percent

(a) Give all reasons for deciding not to mitigate the rate shock associated with such dramatic increases.

- (b) Refer to page 17, I. 7 – 10. Why did you constrain over-five-pound rates to such a degree that \$72.3 million must be recovered from pounds 1-5? Explain fully.

OCA/USPS-T30-17. Please provide estimates by the separations listed below (which reflect the rate structure of Priority Mail) for (1) the percentage of pieces in the test year that will travel only on surface transportation, and (2) the percentage of pieces in the test year that will travel on Fedex air. Percentages given for (1) and (2) should sum to 100 percent.

- (a) Zones L, 1, 2, and 3
- (b) Zone 4
- (c) Zone 5
- (d) Zone 6
- (e) Zone 7
- (f) Zone 8

OCA/USPS-T30-18.. Please refer to USPS-T-30 at 14, I. 14 – 18. Confirm that for Priority Mail pieces transported by Fedex air, the transportation costs underlying the rates for such pieces generally will be unrelated to distance. If you are not able to confirm, then explain fully.

OCA/USPS-T30-19. Please refer to witness Spatola's response to POIR No. 5, Question 8. For each of the city pairs listed, give the:

- (a) number of air miles traveled
- (b) the Priority Mail zone
- (c) the number of miles between the originating facility and the destinating facility

- (d) Confirm that, under your proposal, the Priority Mail rate paid by each of the pairs listed in response to Question 5 will be based on the zone for the pairs, not the air miles traveled. If you do not confirm, explain fully.
- (e) Confirm that the zone basis for the rate generally reflects the distance between the originating facility and the destinating facility. If you do not confirm, explain fully.
- (f) Confirm that, in general, the distance between the originating and destinating facilities (as represented by zones) will, in many instances, be a poor approximation of the air miles traveled (for pieces transported by Fedex). If you do not confirm, explain fully.
- (g) Given the statements posited above in this interrogatory, explain why you did not choose to eliminate any rate differentials based upon zones, for those zones whose pieces are carried entirely (or almost entirely) by Fedex air.
- (h) Alternatively, given the statements posited above in this interrogatory, explain why you did not choose to keep rate differentials based upon zones, for those zones whose pieces are carried entirely (or almost entirely) by Fedex air, much narrower than the differentials you propose.

OCA/USPS-T30-20. Please refer to the testimony of another Postal Service witness in this proceeding – witness Kiefer. At page 22 of USPS-T-33 he describes intra-BMC transportation as having a “hub-and-spoke nature.”

- (a) Is this an apt description of the nature of the Fedex air transportation of Priority Mail? If not, explain fully.

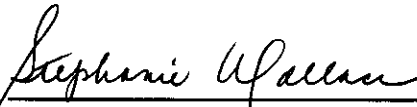
- (b) Are you aware that witness Kiefer uses a very narrow range of Zoning Factors (described at POIR No. 2, Question 1); i.e., 0.99 for zones 1 & 2, 1.00 for zone 3, 1.02 for zone 4, and 1.05 for zone 5, to establish rate differentials for Zones 1 – 5?
- (c) By contrast, you propose much larger rate differentials by zone. For example, you propose a rate differential for 2-pound Priority Mail, between zones 6 and 7, of 6.9 percent; you propose a rate differential for 5-pound Priority Mail, between zones 6 and 7, of 11.7 percent; and a rate differential for 5-pound Priority Mail, between zones 7 and 8, of 10.5 percent. Why didn't you attempt to keep the differences narrow, as witness Kiefer did? Explain fully.

OCA/USPS-T30-21. What methods are being planned to inform Priority Mail customers about the difference in price between the one-pound and flat-rate Priority Mail rates and the over-one-pound rates?

- (a) What methods are currently employed to inform Priority Mail customers about the difference in price between one-pound and flat-rate Priority Mail rates? Are these rates prominently displayed in retail facilities? Please explain.
- (b) What information, if any, is prominently displayed in retail facilities informing Priority Mail customers about the advantages to them of using one-pound and flat-rate envelopes? Explain fully.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 of the rules of practice.



Stephanie Wallace

Washington, D.C. 20268-0001
December 10, 2001