

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
THE PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T33-7-8)

The United States Postal Service hereby files the response of witness James L. Kiefer to the following interrogatories of the Parcel Shippers Association: PSA/USPS-T33-7-8, filed on November 27, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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December 10, 2001

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PSA/USPS-T33-7. Please refer to your response to PSA/USPS-T33-6(c) where you refer to FY 2000 destination bulk mail center (DBMC) Parcel Post volumes.

- (a) Please confirm that these references should be to FY 2001 volumes, not FY 2000 volumes. If not confirmed, please explain your response fully.
- (b) In FY 2000, what percentage of DBMC parcels were nonmachinable outside (NMO) parcels? Please explain your data source and how you calculated this figure. If you cannot provide a specific figure, do you believe that NMOs made up a larger or smaller portion of DBMC parcels before the implementation of Docket No. R2000-1 rates than after rate implementation. Please explain your response fully.

RESPONSE

- (a) Confirmed. A revised response has been filed to this question that corrects this error.
- (b) Although it is common practice to use the term NMOs to refer to all nonmachinable parcels, strictly speaking, NMOs are a subset of nonmachinable parcels—those that cannot be placed inside a container that can be mailed. Whenever the term NMO occurs in my testimony or workpapers, it should be understood in the broader sense, that is, to refer to all nonmachinable pieces. I am informed that no Postal Service data source distinguishes nonmachinable outside parcels from other nonmachinable pieces. Estimates were made of the number of Parcel Select nonmachinable pieces in FY 2000. These were made by analyzing sampled Parcel Select pieces to determine the share of pieces whose weight exceeded 35 pounds, or whose dimensions exceeded other machinability criteria. These share data were applied to RPW volumes to produce estimates of nonmachinable parcels for FY 2000. Because the markings on the parcels do not distinguish the entry point, the FY 2000 estimates were not able to distinguish DBMC parcels from other parcels. No comparable study has been performed for the post R2000-1 rate implementation period. In

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the absence of data or studies of nonmachinable outside parcels, or of total nonmachinable parcels conducted before and after implementation of Docket No. R2000-1 rates, there is no clear basis to determine whether the proportion of either DBMC nonmachinable parcels, or nonmachinable outside parcels went up or down. The imposition of a surcharge on DBMC nonmachinable pieces as part of the Docket No. R2000-1 rate implementation, all other things being equal, would presumably have had a depressing effect on the number of DBMC nonmachinable parcels and nonmachinable outside parcels entered. I have seen no studies, however, that support the notion that all other factors that might influence the share of DBMC nonmachinable parcels or nonmachinable outside parcels were, indeed, equal between these two time periods. This leaves open the possibility that other factors besides the surcharge could have either reinforced or reversed the presumed volume-depressing effect of the surcharge.

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PSA/USPS-T33-8. Please refer to your response to PSA/USPS-T33-6(b) and to USPS-LR-J-64, fa_usps.xls, worksheet "Total".

- (a) Please confirm that using a 7.3% destination bulk mail center (DBMC) nonmachinable outside (NMO) figure instead of 6.04% increases the volume of mail that migrates from the DBMC NMO rate to the 3-Digit DSCF rate and therefore would increase the Parcel Post final adjustment. If not confirmed, please explain your response fully.
- (b) If your response to subpart (a) of this interrogatory is in the affirmative, by how much would using the 7.3% figure instead of the 6.04% DBMC NMO figure increase the Test Year After Rates (TYAR) Parcel Post final adjustment.

RESPONSE

(a),(b) Please refer to my response to PSA/USPS-T33-7 for the distinction between nonmachinable parcels and nonmachinable outside parcels. In my workpapers, all my assumptions and calculations refer to total nonmachinable parcels. Assuming that the share of DBMC pieces that are nonmachinable is 7.3% rather than 6.04% would, using the other assumptions incorporated in my rate design model, increase the volume of mail that is projected to migrate from the DBMC nonmachinable rate to the new proposed 3-digit nonmachinable DSCF rate. Witness Eggleston informs me that making this change in my assumptions would increase the size of the Parcel Post final adjustment by \$1.485 million.

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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