

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 INTERROGATORY OF
THE PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T33-9(a)-(c),(e))

The United States Postal Service hereby files the response of witness James L. Kiefer to the following interrogatory of the Parcel Shippers Association: PSA/USPS-T33-9(a)-(c),(e), filed on November 29, 2001. Parts (d) and (f) were redirected to witness Eggleston.

The 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

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999 Fax -5402
December 12, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KIEFER
TO INTEROGATORIES OF THE PARCEL SHIPPERS ASSOCIATION**

PSA/USPS-T33-9. Please refer to your response to PSA/USPS-T33-6 and USPS-LR-J-106. Also, please assume for the purpose of this interrogatory that before the implementation of the nonmachinable outside (NMO) parcel surcharge for destination bulk mail center (DBMC) parcels in January 2001, twelve percent of DBMC parcels were NMOs and that, in response to the implementation of the NMO surcharge, the NMO percentage decreased to 7.3 percent.

- (a) Please confirm that, all else being equal, a decrease in the proportion of DBMC parcels that are NMOs would reduce Parcel Post costs.
- (b) Please confirm that, all else being equal, a decrease in the proportion of DBMC parcels that are NMOs would reduce Test Year After Rates Postal Service revenues.
- (c) Is it possible that, in response to the introduction of a DBMC NMO surcharge, some mailers of DBMC NMOs began mailing these parcels using another shipper? Please explain your response fully.
- (d) Please confirm that the Postal Service did not include a final adjustment to Parcel Post costs to reflect differences in the percentage of Parcel Post DBMC parcels that were NMOs before and after the introduction of the DBMC NMO surcharge. If not confirmed, please explain fully.
- (e) Please confirm that, by using the DBMC NMO percentage from after the introduction of the DBMC NMO surcharge, your estimate of Test Year After Rates Parcel Post revenues reflect changes in the DBMC NMO percentage that occurred due to the introduction of DBMC NMO surcharge. If not confirmed, please explain fully.
- (f) Please confirm that, if the change in the DBMC NMO percentage described in the introduction to this interrogatory did indeed occur, the Postal Service's Test Year After Rates Parcel Post attributable costs would be overstated. If not confirmed, please explain fully. If so, by how much would the Postal Service's Test Year After Rate Parcel Post attributable costs be overstated?

RESPONSE

- (a) Confirmed, if all else is equal.
- (b) Confirmed, if all else is equal.
- (c) Faced with paying a nonmachinable surcharge it is reasonable that mailers of DBMC nonmachinable parcels would consider what alternatives might exist that

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did not involve paying the surcharge including, as one alternative among others, using other shippers. It is possible that some mailers did begin to utilize other shippers for these pieces.

- (d) This question has been redirected to witness Eggleston (USPS-T-25) for response.
- (e) I used the share of DBMC nonmachinable parcels obtained from post-R2000-1 rate implementation because it represented, in my judgment, the best available estimator of the share of DBMC nonmachinable parcels in the test year. It is likely that the percentage of nonmachinables in the data I used reflects, among other things, at least some of the changes, if any, in mailers' practices taken in response to the newly imposed DBMC nonmachinable surcharge. My projections of TYAR revenues depend, in part, on volume projections, which are based, in part, on my estimated DBMC nonmachinable parcel shares. While I cannot confirm that a change in the proportion of DBMC nonmachinable parcels did occur (see my response to PSA/USPS-T33-7(b)), any such changes that might have occurred would ultimately be reflected in my TYAR revenue projections.
- (f) This question has been redirected to witness Eggleston (USPS-T-25) for response.

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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