

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

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
TO INTERROGATORIES OF UNITED PARCEL SERVICE
(UPS/USPS-T28-45)

The United States Postal Service hereby provides the response of witness Moeller to the following interrogatory of United Parcel Service: UPS/USPS-T28-45, filed on December 10, 2001.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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January 10, 2002

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MOELLER
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UPS/USPS-T28-45. Identify all rate categories across all classes of mail that will receive an average rate decrease under the Postal Service's proposed rates. For those rate categories that will receive an average rate decrease, provide the Base Year revenue, Test Year Before Rates revenue, Test Year After Rates revenue, and the size of the rate decrease (in percentage terms) for the rate category.

RESPONSE:

It is not exactly clear what is meant by "rate category" in this interrogatory, however, the following describes instances where certain groupings of mail might receive rate reductions under the proposed rates.

For First-Class Mail (FCM) and Standard Enhanced Carrier Route (ECR), some heavier pieces within a rate category would incur a rate decrease under the proposed rates, however, the rate category overall would incur a rate increase. For example, in ECR, a decrease is proposed for the pound rate and would result in rate decreases for portions of the nonletter rate categories. The average rates for those nonletter categories would increase, however. Likewise, in FCM, the additional ounce rate for workshared mail is proposed to decrease, which would result in a rate decrease for heavier pieces, however the overall rate category for those pieces would increase. In Priority Mail, the effective rate for the Flat Rate Envelope (FRE) decreases under the proposed rates by 2.5 percent. The Base Year revenue is \$390 million. The TYBR revenue assumes that FRE pieces under one pound would migrate to the one-pound rate, and is \$108 million. The TYAR revenue is \$584 million, which restores the flat rate to those pieces which were assumed to migrate to the one-pound rate pursuant to R2000-1 (because in the TYAR, the one-pound rate is no longer lower than the flat

Response to UPS/USPS-T28-45 (continued):

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Response to UPS/USPS-T28-45 (continued):

rate), and includes some two-pound pieces that would migrate to the now-lower flat rate.

For Parcel Post, the following two drop ship groupings are proposed to have average rate decreases:

DSCF Parcel Post

Average rate change: -1.2%
Base Year Revenue: \$10.0 million
TYBR Revenue: \$21.4 million
TYAR Revenue: \$31.4 million

Note: the percentage change excludes the impact of DBMC nonmachinable parcels migrating to DSCF.

DDU Parcel Post

Average rate change: -3.1%
Base Year Revenue: \$53.7 million
TYBR Revenue: \$157.5 million
TYAR Revenue: \$150.4 million

For Bound Printed Matter, the following two drop ship groupings are proposed to have average rate decreases:

DSCF Bound Printed Matter

Average rate change: -1.2%
Base Year Revenue: This rate did not exist
TYBR Revenue: \$101.1 million
TYAR Revenue: \$98.8 million

Note: the percentage change and revenues exclude the impact of the flats rate differential, carrier route and barcode discounts which have not been apportioned.

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Response to UPS/USPS-T28-45 (continued):

DDU Bound Printed Matter

Average rate change: -1.6%

Base Year Revenue: This rate did not exist

TYBR Revenue: \$13.4 million

TYAR Revenue: \$13.0 million

Note: the percentage change and revenues exclude the impact of the flats rate differential and carrier route discount which have not been apportioned.

In Express Mail, the Postal Service has proposed to tie the flat rate envelope to the half-pound rate rather than the two-pound rate. This classification change results in a 16 percent reduction in the flat rate envelope $((16.25-13.65)/ 16.25)$. Related Base Year Revenue is \$649,519; Test Year Before Rates Revenue is \$728,781; and Test Year After Rates Revenue is \$724,333. Overall, the Express Mail classification is proposed to increase an average of 9.4 percent.

In Periodicals, a number of rate cells are proposed to decrease. However, when these elements are combined with rate elements that are proposed to increase, the resulting rates for individual pieces represent a positive change from the current rates.

Nevertheless, the following provides a description of those rate elements that are proposed to decrease, and the table quantifies the revenue as requested. There are seven Outside County rate cells with proposed decreases and one Within County rate cell with a proposed decrease. These are summarized in the attachment. All rate decreases occur in pound rate cells; there are no proposed decreases in presort piece rate cells. The new category decrease for Destinating ADC (DADC) is determined by comparing the proposed DADC rate to the current rate for Zones 1&2. It is assumed

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Response to UPS/USPS-T28-45 (continued):

that periodicals dropped at the DADC would have been charged the Zones 1&2 rate previously. The attachment also contains revenue estimates for the Base Year, Test Year Before Rates, and Test Year After Rates. Revenue estimates were calculated by multiplying poundage estimates for each category by the appropriate current and proposed rates for these categories.

Proposed Periodical Rate Decreases						
Outside County						
	Current Rate	Proposed Rate	Percent Change	Base Year Revenue	TY BR Revenue	TY AR Revenue
Regular Rate						
Advertising Pounds						
Destinating ADC	\$ 0.238	\$ 0.225	-5.46%	\$ 38,979,553	\$ 38,303,505	\$ 35,454,112
Nonadvertising Pounds						
Destinating Delivery Unit	\$ 0.179	\$ 0.158	-11.73%	\$ 2,416,892	\$ 2,379,876	\$ 2,052,511
Science of Agriculture						
Advertising Pounds						
Destinating ADC	\$ 0.179	\$ 0.168	-6.15%	\$ 153,958	\$ 152,119	\$ 139,022
Nonadvertising Pounds						
Destinating Delivery Unit	\$ 0.179	\$ 0.120	-32.96%	\$ 21,096	\$ 20,844	\$ 13,606
Destinating SCF	\$ 0.179	\$ 0.136	-24.02%	\$ 238,426	\$ 235,578	\$ 174,286
Destinating ADC	\$ 0.179	\$ 0.143	-20.11%	\$ 95,037	\$ 93,903	\$ 73,047
Zones 1 & 2	\$ 0.179	\$ 0.152	-15.08%	\$ 429,746	\$ 424,614	\$ 351,097
Within County						
Destinating Delivery Unit Pounds	\$ 0.115	\$ 0.112	-2.61%	\$ 14,050,347	\$ 13,403,686	\$ 13,019,763

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.

Michael T. Tidwell

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