

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

EXPERIMENTAL PARCEL RETURNS SERVICES

Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS JENNIFER EGGLESTON TO INTERROGATORY OF
THE AMERICAN POSTAL WORKERS UNION, AFL-CIO, REDIRECTED FROM
WITNESS JAMES KIEFER (APWU/USPS-T3-2)

The United States Postal Service hereby files the response of witness Jennifer Eggleston to the following interrogatory of the American Postal Workers Union, AFL-CIO, redirected from witness James Kiefer:

APWU/USPS-T3-2, filed on June 20, 2003.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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APWU/USPS-T3-2. Please provide details about the operational and cost impacts of the Automated Package Parcel Sorter System on returned parcels. What cost adjustments did you make for the introduction of the APPSS. If you did not fully adjust your calculations for the APPSS, please explain your reasons.

RESPONSE:

It is my understanding that the Automated Package Processing System (APPS) is primarily a replacement for the Small Parcel Bundle Sorter (SPBS). It is further my understanding that APPS, like its predecessor, will be used primarily to sort bundles and “non-Package Services” parcels.

The predominant impact of APPS implementation on Package Services parcels will be the APPS machines deployed to Auxiliary Service Facilities (ASFs). Since ASFs sometimes perform the function of a BMC, the APPS may potentially be used in these facilities to sort Package Services parcels. It is my understanding that four of the seven ASFs are scheduled to receive an APPS machine. The cost impact on Parcel Post, and other Package Services, will depend on how many parcels are actually sorted on the APPS and how these parcels were sorted prior to APPS implementation.

It is my understanding that estimated cost savings associated with the APPS are not available on a subclass basis. However, the relative size of the impact can be discussed by estimating the potential Parcel Post volume that will be impacted by APPS implementation. Parcel Post volume at the four ASFs scheduled to receive an APPS comprised 2.8 percent of the total Parcel Post volume at all BMCs and ASFs. In addition, it is estimated that ASF's perform the role of BMCs for approximately 36 percent of their parcel volume (Docket No. R2000-1, USPS-T-26, Attachment Y,

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page 2). Therefore, using these data as a ballpark estimate, implementing APPS at four ASFs could potentially impact 1.0 percent ($0.36 \times 0.028 = 1.0$) of Parcel Post volume. Given that the majority of non-machinable Parcel Post and the majority of Parcel Post DDU will not be impacted by the APPS, this percentage is most likely overstated. While this exercise should not be used as a pin point estimate of the impact of APPS on Parcel Post costs, it can be considered an indication that APPS will most likely not have a significant impact on Parcel Post costs.

I did not make any adjustments to the cost model to account for APPS. In general, my testimony is designed to provide witness Kiefer with cost savings estimates that are consistent with the cost estimates produced in Docket No. R2001-1, LR-J-64, so that he can develop discounts that have the same cost base as the underlying rates from which the discounts are subtracted. I see no reason to depart from the general rule, especially given that there is no reason to believe that APPS will have a significant impact on Parcel Post costs.

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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