

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

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EXPERIMENTAL PARCEL RETURNS SERVICES

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Docket No. MC2003-2

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS  
JAMES KIEFER TO INTERROGATORIES OF THE  
ASSOCIATION OF AMERICAN PUBLISHERS (AAP/USPS-T3-1-7)  
(July 10, 2003)

The United States Postal Service hereby files the response of witness James Kiefer to the following interrogatories of the Association of American Publishers:

AAP/USPS-T3-1-7, filed on July 2, 2003.

The interrogatories are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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July 10, 2003

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**AAP/USPS-T3-1.** Please confirm that, with respect to the Bound Printed Matter Return Service (“BPMRS”), the returned parcel must be retrieved by the mailer at the first BMC the parcel reaches after it is mailed by the customer.

**RESPONSE:**

Not confirmed. The parcel must be retrieved at the RBMC identified on the BPMRS label affixed to the returned parcel. See the testimony of witness Gullo (USPS-T-1, at 5). The Postal Service expects that the great majority of BPMRS parcels will be entered within the service areas of the RBMCs identified on the BPMRS labels, but is aware that in a small number of cases some parcels may not be. If a customer enters a BPMRS parcel outside the service area of the RBMC on the label, the parcel would travel first to the BMC serving the entry point, then to the RBMC on the label, where it would be retrieved by the shipper or the shipper’s agent.

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**AAP/USPS-T3-2.** Please refer to WP-PRS-1. Please explain the basis for the input assumption that certain BPMRS volume (identified as BPMRS RBMC volumes on the workpaper) will be received at zones 3 and 4. Please explain how receipt of BPRMS mail at zones 3 and 4 would constitute the first BMC the parcel reaches after mailing by the customer.

**RESPONSE:**

The distribution estimates for BPMRS volume were developed using information obtained during discussions with likely potential users of the return service. I believe it is a reasonable profile. BPMRS is conceptually similar, in terms of gross mail flow, to a reverse DBMC. Under normal circumstances, the returns parcels are expected to travel from the consumer's home address to the BMC that serves that address. Our experience with BPM DBMC, as documented in the BPM billing determinants, shows that BPM pieces entered at the DBMC are delivered as far away as Zone 5, with many millions of pieces going to Zones 3 and 4. It is reasonable to expect that some of those outbound pieces may be returned and travel a similar distance back to the BMC.

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**AAP/USPS-T3-3.** Please refer to Attachment B of your testimony. Please explain the basis for including BPMRS rates to zones 3-5. Please explain how receipt of BPRMS mail at zones 3-5 would constitute the first BMC the parcel reaches after mailing by the customer.

**RESPONSE:**

Please see the response to AAP/USPS-T3-2.

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**AAP/USPS-T3-4.** In developing the BPMRS proposal, did the Postal Service consider structuring BPMRS in a manner that would allow a mailer to retrieve parcels at a BMC other than the first BMC the parcel reaches after it is mailed by the customer? If your response is yes, please describe the content of such alternative proposals and explain why such proposals were not included as part of the Postal Service's request in this proceeding. If your response is no, please explain why such alternative proposals were not considered.

**RESPONSE:**

Yes. The Postal Service examined the possibility of offering a service that would allow BPM mailers or their agents to pick up return parcels at the BMC that serves the customer's delivery address (generally the first BMC reached, or "local" BMC), or at another BMC (the "non-local" BMC), whichever was specified in the address on the BPMRS return label. Parcels picked up at the non-local BMC would have received a smaller discount off BPM single piece rates than parcels picked up at the local BMC. Other features of the two-BMC service would have been essentially the same as those of the BPM RBMC service that was eventually proposed. Postal Service management considered a number of configurations for Parcel Return Services, including one with a two-BMC option for BPM. After deliberation, management decided to approve a request for a more limited experiment that would include only the local-BMC option.

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**AAP/USPS-T3-5.** Please refer to page 7, lines 1 to 3, of your testimony where you state: “[a]ll BPM parcel rates reflect the relatively lower costs of handling BPM pieces, particularly as weight increases, owing to the relatively compact nature of these parcels.” Please explain how the compact size and low cost of handling BPM mail pieces affected the rate design for BPMRS.

**RESPONSE:**

The compact size and relatively lower cost of handling BPM pieces are reflected in the benchmark, or starting, rates chosen for BPMRS: the BPM single-piece rates. These rates are already substantially lower than the comparable Intra-BMC zoned rates, which were the rates used as the benchmark for PSRS RBMC rates. As stated in my testimony (USPS-T-3, at 7, lines 6-8), we do not have any cost studies that specifically estimate the savings for a BPM return, as opposed to a Parcel Post return. But it is reasonable to assume that the factors that make BPM relatively less costly to process and transport would also make the costs avoided by PRS worksharing also relatively smaller than those from worksharing a less compact, less dense parcel. For these reasons, I decided to limit the explicit recognition of the lower cost characteristics of BPM return parcels to what was already expressed in the benchmark rates for BPMRS.

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**AAP/USPS-T3-6.** Please refer to Attachment D of your testimony. Please provide the cost savings and savings passthrough for Bound Printed Matter RBMC mail. In addition, please provide the per piece cost savings for Bound Printed Matter RBMC mail.

**RESPONSE:**

As stated in my testimony (USPS-T-3, at 7, lines 6-8), we do not have any cost studies that specifically estimate the savings for a BPM return, as opposed to a Parcel Post return. This is the reason why I am not able to report any cost savings, cost savings passthrough, or per-piece cost savings for BPMRS RBMC mail.

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**AAP/USPS-T3-7.** Please refer to WP-PRS-8. Please confirm that the cost savings per piece of BPMRS RBMC mail by weight (1-35 pounds) is 1.206. If you are not able to confirm, please provide the actual cost savings per piece (by weight) of BPMRS mail.

**RESPONSE:**

Not confirmed. The figure cited in the question is the average cost savings for all PSRS RBMC pieces weighing up to 35 pounds, not for BPMRS pieces. Please see my response to AAP/USPS-T3-6. As stated in that response, I am unable to provide cost savings data for BPMRS RBMC pieces because we do not have any cost studies that specifically address the costs saved by BPMRS pieces. Please also see my response to AAP/USPS-T3-5. For the reasons cited in that response, it is reasonable to believe that the BPMRS RBMC cost savings would be smaller than the figure mentioned in question AAP/USPS-T3-7. The PSRS RBMC per-piece savings probably overstates the costs avoided by BPMRS RBMC parcels for at least one additional reason. BPMRS RBMC pieces will not include parcels weighing more than 15 pounds, whereas the PSRS RBMC average cost savings figure also includes savings from moderately heavy parcels weighing from 16 to 35 pounds.

## 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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