

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268B0001

EXPERIMENTAL PRIORITY MAIL FLAT-RATE  
Box, 2004

Docket No. MC2004-2

RESPONSE OF UNITED STATES POSTAL SERVICE  
WITNESS THOMAS M. SCHERER  
TO INTERROGATORIES OF THE  
OFFICE OF THE CONSUMER ADVOCATE,  
(OCA/USPS-T1-28, 31-32)  
(July 20, 2004)

The United States Postal Service hereby files responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-T1-28, 31-32, filed on July 6, 2004. Objections were filed to interrogatories OCA/USPS-T1-29-30.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS SCHERER  
TO OCA INTERROGATORY

**OCA/USPS-T1-28.** Your testimony at page 13 states in reference to data generation that "The ODIS-RPW data will indicate what gravitates to the flat-rate box by weight and zone, but not the origin of that volume."

- a. Please explain how the ODIS-RPW data will enable the Postal Service to determine what flat-rate boxes gravitated from various zone rate categories if ODIS-RPW does not also obtain the origin of the volume so as to determine the distance the flat-rate box will travel and therefore calculate the zone category from which it gravitated.
- b. Please address how the Postal Service will ascertain the ZIP code of origin so as to determine the zones traveled.
- c. Isn't it correct that neither mailers nor postal employees need to know the ZIP code of origin to calculate the Priority Mail flat-rate box postage? Please explain.
- d. Will ODIS-RPW data collectors use the return address to determine ZIP code of origin or will they use another source of information? Please discuss.

**RESPONSE:**

(a) - (b) The reference to "origin" on page 13 of my testimony was not intended to refer to the point of entry into the mailstream (e.g., origin ZIP Code), but rather to the source of the mail piece gravitating to the flat-rate box, for example, whether it would otherwise have been a weight- and zone-rated Priority Mail piece, or whether it would otherwise have been shipped outside the postal system, etc. I could have been clearer about this, especially considering that the "O" in "ODIS-RPW" refers to the first of those two meanings. In any event, ODIS-RPW sampling does in fact record the origin three-digit ZIP Code, as indicated in the Postal Service's institutional response to OCA/USPS-T1-25. Along with the destination three-digit ZIP Code, also recorded by ODIS-RPW, this will indicate zone characteristics.

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**Response to OCA/USPS-T1-28 (Cont.)**

(c) That is correct. The proposed flat-rate box's postage is irrespective of zone (and therefore both origin and destination ZIP Codes) and weight.

(d) No, the return address will not be used to determine the origin ZIP Code. I am informed that the origin ZIP Code will be determined from the cancellation mark for pieces bearing stamps, from the meter imprint and in some cases the video ink jet cancellation if metered, from the PVI (postage validation imprinter) strip if PVI, and from the indicia if permit imprint.

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**OCA/USPS-T1-31.** Please refer to your response to OCA/USPS-T1-1 and your testimony at page 4, line 18, where you note the average realized revenue of \$5.92 is not for a flat rate box of 0.34 cubic feet, but rather for "existing Priority Mail parcels of comparable size." Because it appears that the \$5.92 figure is derived mathematically by using a 0.34 cubic foot box, why do you qualify the characterization of the calculated \$5.92 as applying to parcels of "comparable size" rather than stating that the \$5.92 represents the average revenue for a 0.34 cubic foot box?

**RESPONSE:**

In my testimony at page 4, line 18, I said "of comparable size" rather than "of the same size" because very few existing Priority Mail parcels are the exact same size as either of the two proposed flat-rate boxes. Furthermore, witness Loetscher estimated the average density for existing Priority Mail parcels at 0.34 cubic feet from those parcels in his sample ranging from 0.33 to 0.35 cubic feet.

That said, since the 6.70 pounds per cubic foot is meant to apply to an existing Priority Mail parcel of 0.34 cubic feet, the \$5.92 can indeed be construed to represent average revenue for an existing Priority Mail parcel of 0.34 cubic feet.

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**OCA/USPS-T1-32.** Your "base rate" of \$5.92 was determined by a study of the density of Priority Mail boxes in the mailstream. Do you believe that the density of the new Priority Mail flat-rate boxes will differ from the density of the current Priority Mail as estimated? If so, by what percentage listed below do you expect the density of the new Priority Mail flat-rate boxes to differ from the estimated density of tested Priority Mail?

- a. a decrease in density?
- b. a five percent increase in density?
- c. a 10 percent increase in density?
- d. a 15 percent increase in density?
- e. a 20 percent increase in density?
- f. If you expect a percentage change that differs from the above choices, please specify that percentage.
- g. Please explain your reasoning.

**RESPONSE:**

The average density of the proposed flat-rate box, as it will be realized, can be compared to the current average density of Priority Mail parcels in either of two ways. In the first way, the density will increase for some Priority Mail parcels that migrate to the flat-rate box and decrease for others. Please see my response to OCA/USPS-T1-5. Note also that the response to OCA/USPS-T1-5 indicates that the net impact on average density is indeterminate. I am therefore unable to confirm whether any of the posited outcomes in parts (a) through (e) above is more likely than the others; nor am I able to offer an alternative outcome for part (f).

In the second way, because the flat rate immunizes against variations in weight and distance shipped, the average realized density of the flat-rate box may exceed the average density of current Priority Mail parcels at 0.34 cubic feet (measured by witness Loetscher as 6.70 pounds per cubic foot). This was one reason for including a \$1.78 premium in my proposed rate. However, I have no a

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**Response to OCA/USPS-T1-32 (Cont.)**

*priori* expectation of any particular percentage difference between the average realized density of the flat rate box and 6.70 pounds per cubic foot (indeed, if I did, I would have been able to specify the rate premium with more precision). I am therefore unable to confirm whether any of the posited outcomes in parts (a) through (e) above is more likely than the others; nor am I able to offer an alternative outcome for part (f).

## 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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July 20, 2004