

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

POSTAL RATE AND FEE CHANGES
PURSUANT TO PUBLIC LAW 108-18

Docket No. R2005-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO INTERROGATORIES
OF THE OCA (OCA/USPS-1 - 2)
(April 26, 2005)

The United States Postal Service hereby provides its responses to the following interrogatories of the OCA, filed on April 12, 2005: OCA/USPS-1 - 2.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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April 26, 2005

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OCA/USPS-1. Please use data from the instant rate proceeding to update the following figures used by witness Dauer, in USPS-T-1, Docket No. MC2005-2 :

- a. Appendix A, page 1, line 3: "USPS FCM average return rates" = 1.23 percent
- b. Appendix A, page 1, line 5, column 1: "Manual Letter Returns Unit Cost" = 57 cents in Year 1. (Also specify which fiscal year is "Year 1").
- c. Appendix A, page 1, line 5, column 2: "Manual Letter Returns Unit Cost" = 60 cents in Year 2.
- d. Appendix A, page 1, line 5, column 3: "Manual Letter Returns Unit Cost" = 62 cents in Year 3.
- e. Appendix A, page 1, line 6, column 1: "Electronic Letter Returns Unit Cost" = 36 cents in Year 1.
- f. Appendix A, page 1, line 6, column 2: "Electronic Letter Returns Unit Cost" = 37 cents in Year 2.
- g. Appendix A, page 1, line 6, column 3: "Electronic Letter Returns Unit Cost" = 39 cents in Year 3.

RESPONSE:

This question requests information on a subset of the figures used by witness Dauer in the HSBC case. Because it only a subset of the figures used, no assumptions should be made regarding effects on the NSA as a whole.

- a. The 1.23 percent figure has not changed in this case.
- b. Year 1 for the NSA is FY 2005, and no new Manual Letter Returns Unit Cost estimate has been developed for FY 2005.
- c. Year 2 for the NSA is FY 2006. For this rate case, the USPS version Manual Letter Returns Unit Cost for the Test Year (FY 2006) is estimated at 48.4 cents.
- d. Year 3 for the NSA is FY 2007, which is beyond the Test Year for which costs have been developed for this docket.
- e. Year 1 for the NSA is FY 2005, and no new Electronic Letter Returns Unit Cost estimate has been developed for FY 2005.
- f. Year 2 for the NSA is FY 2006. For this rate case, the USPS version Electronic Letter Returns Unit Cost for the Test Year (FY 2006) is estimated at 31.0 cents.

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g. Year 3 for the NSA is FY 2007, which is beyond the Test Year for which costs have been developed for this docket.

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OCA/USPS-2. Postmaster General Potter made the Keynote Address at the 2005 Nashville Postal Forum on March 21, 2005. He announced, as a goal for an extended Transformation Plan, that: "In the near term I also want us to cut by 50 percent the amount of undeliverable as addressed (UAA) mail." (See http://www.usps.com/communications/news/speeches/2005/sp05_0321pmg.htm)

a. Please give a qualitative description of the effects of a 50 percent reduction in UAA mail on NSAs that are functionally equivalent to the Capital One NSA.

b. Isn't it correct that steps taken to reduce the average amount of UAA mail are likely to reduce the total amount of savings that can be achieved in NSA agreements that are functionally equivalent to the Capital One NSA? Please explain any negative answer.

RESPONSE:

a. In potential NSAs likely to be considered functionally equivalent to the Capital One NSA, the primary factors driving the opportunity for ACS savings are the amount of First-Class Mail the NSA partner deposits which is likely to be returned, and the cost savings that can be expected from converting those returned pieces from manual to electronic handling. Thus, for a specific NSA partner, one question becomes, would an overall 50 percent reduction in UAA mail be likely to reduce the amount of mail that NSA partner deposits which is likely to be returned? If the 50 percent reduction is achieved by virtue of changes in the mailing practices of other mailers, the answer might be that no reduction would necessarily be expected in the return rate for that particular NSA partner of interest. Similarly, if the unit cost savings stay the same for returned pieces converting from manual to electronic handling, the possibility of fewer returned pieces emanating from other mailers may not affect the overall costs savings applicable to the NSA partner of interest. Alternatively, if the steps taken to reduce the average amount of UAA mail would tend to reduce the likely return volume of the NSA partner, then the pool of potential ACS savings applicable to that partner would be reduced.

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b. As suggested in response to the first part of this question, it depends on whether the reduction in UAA mail is spread evenly over all mailers, including the potential NSA partners, or is focused in segments of the mailing community other than those in which the NSA partners are concentrated.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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