Postal Rate Commission
Submitted 5/10/2005 4:16 pm
Filing ID: 44069
Accepted 5/10/2005

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268

Postal Rate and Fee Changes Docket No. R2005-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 4

(Issued May 10, 2005)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for changes in rates and fees. In order to facilitate inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided within 14 days.

1. Please confirm that in FY 2004 there was no volume in any weight increment for the rate category Parcel Post DBMC zone 5. If confirmed, please discuss what factors lead to the disappearance of this volume.

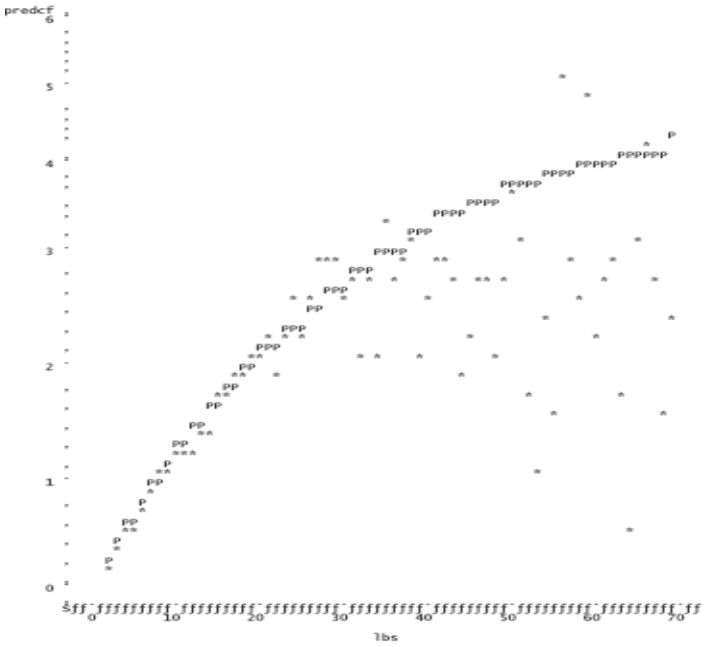
2. In past cases, an adjustment was made to Parcel Post revenue for OMAS mail. In this case no adjustment was made. Please explain the rationale for not making an OMAS adjustment.

3. The charts below depict the cube-weight relationship for Parcel Select DBMC mail, which is also used as a proxy for DSCF and DDU mail, as developed by the Postal Service for dockets R2001-1 and R2005-1.
   a. Please explain the underlying cause of the change in slope between the two dockets (i.e. changes in weight, mail characteristics, etc.).

b. Because the proposed rates are determined by multiplying current rates by 5.4% the underlying cost structure implicitly reflects the cube-weight relationship used in R2001-1. Please discuss the implications of setting rates based on a cube-weight relationship that is clearly different than the actual cube-weight relationship. In particular, discuss the implications on mailers of low-weight parcels, who may be paying a disproportionate share of costs; Postal Service competitors, and overall economic efficiency.

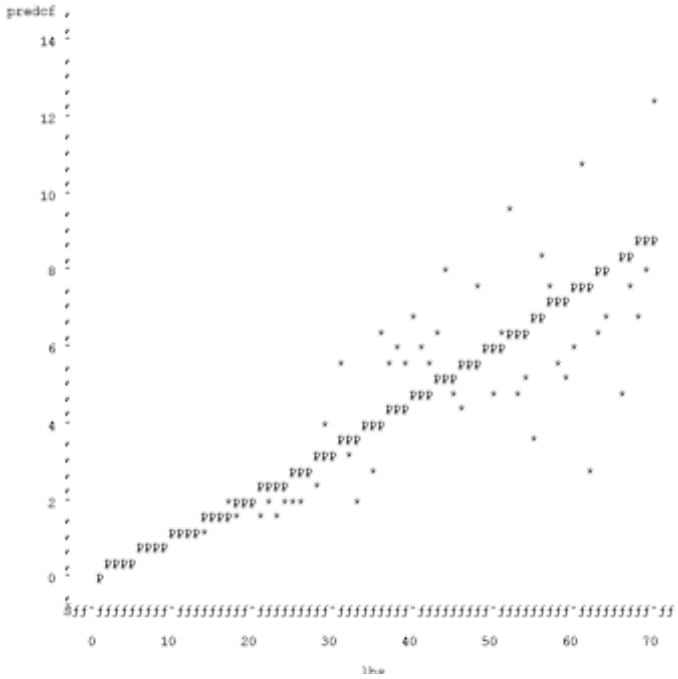
c. Please discuss the implications for future rate payers on setting rates that do not reflect the current cube-weight relationship, particularly the possibility of future rate shock for some weight increments of parcel select mail.

R2001-1



USPS-J-66; p. 38

R2005-1



USPS-K-90; p. 35

4. In October 2003, the experimental Parcel Return Service (PRS) began. This service allows shippers to retrieve customer return mail from an identified BMC or DDU. With regard to this service:
   a. Has a separate cube-weight relationship been developed for PRS mail? If not, which Parcel Post category best reflects the cube-weight relationship of PRS mail? Please discuss.
   b. Are separate transportation costs developed for PRS mail? If not, why not?
   c. Has the unit cost of PRS mail been modeled? If not, why not?
   d. Please explain why the TYBR volume estimate in USPS-T-28 B Spreadsheets for PRS mail does not include any parcels subject to either the oversize rate or the balloon rate.

5. In USPS-T-25 witness Miller states that Fiscal Year 2003 Productivity Information Management System (PIMS) productivities are used in the models for Parcel Post. These productivities were updated from the ones used in R2001-1 to reflect the fact that Singulation Scan Induction Units (SSIU) had been added to the secondary Parcel Sorting Machine operations in 19 of the 21 BMCs. USPS-T-25 at 3. For the Primary NMO Sort operation, the productivity (units/hr) used in developing the model cost for Inter-BMC, Intra-BMC, and DBMC nonmachinable parcels decreased by 31 percent, from 100 in R2001-1 to 68.6 in R2005-1. USPS-LR-J-86 at 9 and USPS-LR-K-103 at 10. This decrease in productivity is a significant factor in the increase in model costs for Inter-BMC, Intra-BMC, and DBMC NMOs between R2001-1 and R2005-1. The increases in model unit costs are 34 percent, 35 percent, and 24 percent respectively.
   a. Please discuss how the introduction of SSIUs results in a decrease in productivity for nonmachinable parcels.
   b. Witness Miller states that BMCs were converted to MODS in GFY 2004, and that this conversion was completed by the end of GFY 2004. USPS-T-25 at 4. Please provide the MODS productivities for Primary Parcel

Sorting, Secondary Parcel Sorting, Sack Sorting, and NMO distribution operations for FY 2005, quarters 1 and 2.

6. Please refer to the Skin Sack Reduction Program shown in USPS-LR-K-49, Attachments C and D. Explain in detail the derivation of the Mail Handler work hour cost reductions in FY 2005 (215) and FY 2006 (446).

7. In response to Time Warner interrogatory (TW/USPS-T11-3) the Postal Service provides tables for FY 2002 and FY 2003 showing volume variable costs by subgroup of cost pools for Plants, Post Offices, Stations and Branches, and BMCs. Examining the periodicals cost data for FY 2002 through FY 2004 shows that there has been a significant cost increase in FY 2004 over FY 2003 despite a noticeable decline in mail volume. More specifically, certain allied cost pools such as the flat preparation and platform show a substantial increase in FY 2004 over FY 2003.
   a. Please explain why the drop in periodicals mail volume in FY 2004 is not reflected in its costs.
   b. Identify the cost drivers including any operational or cost methodological changes that may have led to such an increase in periodicals costs.
   c. Please provide an explanation in those instances where the cost pool has increased or decreased more than 10 percent in FY 2004 compared to FY 2003.

8. Please provide a matrix showing a breakdown of allied cost pools showing the number of direct tallies, their associated dollar values, and their percent share of total by piece shapes, item types, and container types for each cost pool as described in direct testimony of witness Van-Ty-Smith, section B.2.3. The breakdown should include uncounted and empty items, identified containers by loose pieces and items, and unidentified and empty containers. Also, identify cell

or cells where the recorded direct tally is not used and a broader set of tallies is used to form a distribution key for mixed and not-handling tallies including a description of what is used to create the proxy distribution key.

9. Please provide a copy of the special study associated with the variability factor of 61.22% listed in LR-K-93, workbook CS03, worksheet PRC 3.0.2.

10. Please provide the data file called XKEY used in NONMOD4 SAS program of the LR-K-55.

11. Refer to Docket No. R2000-1, the response to ABA&NAPM/USPS-T24-12 (Tr. 7/3047-3062). In this response, witness Miller provides a brief description of each component of mail processing costs used to estimate letter and card worksharing savings and explains the rationale for categorizing each pool as worksharing related proportional, worksharing related fixed, or non-worksharing related fixed.
    a) Please provide a revised description and rationale for categorization (for both First-Class Mail and Standard Mail) for each of the letter cost pools in the current case. Please identify and explain any pools that have been combined, separated, created, eliminated, renamed, or otherwise changed in definition since the R2000-1 case.
    b) Please provide a similar description and rationale for the categorization of the pools used to estimate worksharing related savings for First-Class, Standard, and Periodicals flat-shaped mail.

c) Please provide a similar description and rationale for the categorization of the pools used to estimate cost differentials for Parcel Post mail.

George Omas
Presiding Officer