

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 POSTAL SERVICE WITNESS THRESS  
TO INTERROGATORIES OF VALPAK (VP/USPS-T7-1 – 4.b, 5.a-b.)  
(June 3, 2005)

The United States Postal Service hereby provides the responses of witness Thress to the following interrogatories of ValPak, filed on May 20, 2005: VP/USPS-T7-1 – 4.b, 5.a.-b. Questions 4c and 5c were redirected to witness Robinson.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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June 3, 2005

RESPONSE OF POSTAL SERVICE WITNESS THRESS TO  
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**VP/USPS-T7-1.**

- a. Please refer to your testimony at Table 1 (USPS-T-7, p. 9). Please confirm that Table 1 indicates that the Postal own-price elasticity of Standard (Commercial) ECR mail is estimated to be -1.093. If you do not confirm, please provide the correct figure for own-price elasticity.
- b. Please refer to your testimony (USPS-T-8) in Docket No. R2001-1. Please confirm that the Postal own-price elasticity of Standard (Commercial) ECR mail was estimated to be -0.770 in Docket No. R2001-1 (USPS-T-8, p. 50, ll. 16-17). If you do not confirm, please provide the correct figure for own-price elasticity.
- c. If the amounts for the Postal own-price elasticity of Standard (Commercial) ECR mail in parts a and b are correct, please confirm that the Postal own-price elasticity of Standard (Commercial) ECR mail in the current docket represents approximately a 41.9 percent increase over the amount indicated in Docket No. R2001-1. Otherwise, please provide the correct percentage increase.

**RESPONSE**

- a. Confirmed.
- b. Confirmed
- c. Confirmed that the number 1.093 is 41.9 percent greater than the number 0.770.

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**VP/USPS-T7-2.**

a. Please refer to your testimony at Table 1 (USPS-T-7, p. 9). Please confirm that Table 1 indicates that the Postal own-price elasticity of Standard (Commercial) Regular mail is estimated to be -0.267. If you do not confirm, please provide the correct figure for own-price elasticity.

b. Please refer to your testimony (USPS-T-8) in Docket No. R2001-1. Please confirm that the Postal own-price elasticity of Standard (Commercial) Regular mail was estimated to be -0.388 in Docket No. R2001-1 (USPS-T-8, p. 49, ll. 9-10). If you do not confirm, please provide the correct figure for own-price elasticity.

c. If the amounts for the Postal own-price elasticity of Standard (Commercial) Regular mail in parts a and b are correct, please confirm that the Postal own-price elasticity of Standard (Commercial) Regular mail in the current docket represents approximately a 31.2 percent decrease from the amount indicated in Docket No. R2001-1. Otherwise, please provide the correct percentage decrease.

**RESPONSE**

a. Confirmed.

b. Confirmed

c. Confirmed that the number 0.267 is 31.2 percent less than the number 0.388.

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**VP/USPS-T7-3.**

- a. Please refer to your testimony at Table 1 (USPS-T-7, p. 9). Please confirm that Table 1 indicates that the Postal own-price elasticity of Standard bulk nonprofit mail (including both the Standard Nonprofit Regular and Standard Nonprofit ECR subclasses) is estimated to be -0.319. If you do not confirm, please provide the correct figure for own-price elasticity.
- b. Please refer to your testimony (USPS-T-8) in Docket No. R2001-1. Please confirm that the Postal own-price elasticity of Standard bulk nonprofit mail (including both the Standard Nonprofit Regular and Standard Nonprofit ECR subclasses) was estimated to be -0.230 in Docket No. R2001-1 (USPS-T-8, p. 51, ll. 17-18). If you do not confirm, please provide the correct figure for own-price elasticity.
- c. If the amounts for the Postal own-price elasticity of Standard Nonprofit ECR mail and Standard Nonprofit Regular mail in parts a and b are correct, please confirm that the Postal own-price elasticity of Standard Nonprofit Regular mail and Standard Nonprofit ECR mail in the current docket represents approximately a 38.7 percent increase over the amount indicated in Docket No. R2001-1. Otherwise, please provide the correct percentage increase.

**RESPONSE**

- a. Confirmed.
- b. Confirmed
- c. Confirmed that the number 0.319 is 38.7 percent greater than the number 0.230.

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**VP/USPS-T7-4.**

a. Please refer to your testimony at Table 1 (USPS-T-7, p. 9). Please confirm that the following volumes for Standard (Commercial) ECR mail are correctly indicated in Table 1:

| <u>Year</u>                   | <u>Volume</u><br><u>(millions of pieces)</u> |
|-------------------------------|--|
| Base Year 2004                | 30,345.448                                   |
| Test Year 2006 (Before Rates) | 33,328.906                                   |
| Test Year 2006 (After Rates)  | 32,187.100                                   |

b. Please refer to your testimony (USPS-T-7) at page 100 (ll. 19-23) which states:

The Test Year before-rates volume for Standard ECR is 33,328.906 million pieces, a **9.8 percent increase** from GFY 2004. The Postal Service's proposed rates in this case are predicted to **reduce** the Test Year volume of Standard ECR mail by **3.4 percent**, for a Test Year after-rates volume forecast for Standard ECR mail of 32,187.100 million. [USPS-T-7, p. 100, ll. 19-23, emphasis added.]

Please confirm that the Postal Service's proposed rate increase for Standard (Commercial) ECR mail of 5.6 percent in the present case is predicted to result in lost volume of 1,141.806 million pieces (*i.e.*, 33,328.906 less 32,187.100), or a decrease of 3.4 percent, of Standard (Commercial) ECR mail in Test Year 2006.

c. The total volume of Standard (Commercial) ECR mail (see part a above) and Standard Nonprofit ECR mail for Test Year 2006 after-rates is as follows:

|                           | <u>Volume</u><br><u>(millions of pieces)</u> |
|---------------------------|--|
| Standard (Commercial) ECR | 32,187.100                                   |
| Standard Nonprofit ECR    | 3,128.857                                    |
| Total                     | 35,315.957                                   |

Witness Robinson (USPS-T-27), in Exhibit USPS-27B of her testimony, indicates that the contribution of Standard (Commercial) ECR mail and Standard Nonprofit ECR mail is \$3,575,995,000, or 10.13 cents per unit (*i.e.*,  $\$3,575,995,000 / 35,315,957,000 = \$0.1013$  per unit).

Please confirm that the reduction in volume that you project of 1,141.806 million pieces of Standard (Commercial) ECR mail corresponds to a decrease of about \$115,616,081 in the contribution from Standard (Commercial) ECR mail from that lost volume. If you cannot confirm, please state the lost contribution

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from this lost volume.

RESPONSE

- a. Confirmed.
- b. Confirmed
- c. Re-directed to Postal Service witness Maura Robinson.

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**VP/USPS-T7-5.**

a. Please refer to your testimony at Table 1 (USPS-T-7, p. 9). Please confirm that the following volumes for Standard (Commercial) Regular mail are correctly indicated in Table 1:

| <u>Year</u>                   | <u>Volume</u><br><u>(millions of pieces)</u> |
|-------------------------------|--|
| Base Year 2004                | 50,776.236                                   |
| Test Year 2006 (Before Rates) | 56,985.773                                   |
| Test Year 2006 (After Rates)  | 56,478.638                                   |

b. Please refer to your testimony (USPS-T-7) at page 94 (ll. 22-26), which states:

The Test Year before-rates volume for Standard Regular mail is 56,985.733 million pieces, a **12.2 percent increase** from GFY 2004. The Postal Service's proposed rates in this case are predicted to **reduce** the Test Year volume of Standard Regular mail by **0.9 percent**, for a Test Year after-rates volume forecast for Standard Regular mail of 56,478.638 million. [USPS-T-7, p. 94, ll. 22-26, emphasis added.]

Please confirm that it is estimated that the Postal Service's proposed rate increase for Standard (Commercial) Regular mail of 5.6 percent in the present case will result in a decrease of 507.135 million pieces of Standard (Commercial) Regular mail in Test Year 2006 (*i.e.*, 56,985.773 less 56,478.638).

c. The total volume of Standard (Commercial) Regular mail and Standard Nonprofit Regular mail for Test Year 2006 after-rates is as follows:

|                               | <u>Volume</u><br><u>(millions of pieces)</u> |
|-------------------------------|--|
| Standard (Commercial) Regular | 56,478.638                                   |
| Standard Nonprofit Regular    | 12,289.469                                   |
| Total                         | 68,768.107                                   |

Witness Robinson (USPS-T-27), in Exhibit USPS-27B of her testimony, indicates that the contribution of Standard (Commercial) Regular mail and Standard Nonprofit Regular mail is \$5,434,229, or 7.9 cents per unit (*i.e.*, \$5,434,229,000 / 68,768,107,000 = \$0.079 per unit). Please confirm that the reduction in volume that you project of 507.135 million pieces of Standard (Commercial) Regular mail corresponds to a decrease of about \$40,075,085 in the contribution from Standard (Commercial) Regular mail. If you cannot confirm, please state the lost contribution from this lost volume.

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**RESPONSE**

- a. Confirmed.
- b. Confirmed
- c. Re-directed to Postal Service witness Maura Robinson.

## 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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