

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

RESPONSE OF POSTAL SERVICE WITNESS KELLEY
TO INTERROGATORIES OF VALPAK (VP/USPS-T16-39 - 40)
(June 23, 2005)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of ValPak, filed on June 9, 2005: VP/USPS-T16-39 - 40.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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June 23, 2005

Response of Postal Service Witness John Kelley to Interrogatories Posed by
Valpak Dealer's Association, Inc.

VP/USPS-T16-39.

Please refer to your response to VP/USPS-T16-6(b) where you explain that the anomalously high costs of delivering ECR Basic letters relative to the costs for corresponding flats is due to the rural crosswalk of USPS-LR-K-101. You state: "A more acceptable result derivable from LR-K-101 is obtained by eliminating the LR-K-101 rural crosswalk that was responsible for virtually all of this excess."

- a. Have any changes been made to the methodology or format of the rural crosswalk since Docket No. R2001-1? If so, please explain all such changes that have been made to the rural crosswalk.
- b. Did the rural crosswalk cause anomalously high ECR Basic letter costs in Docket No. R2001-1? If your response is negative, please explain why it causes anomalously high costs in Docket No. 2005-1, but not in Docket No. R2001-1. If your response is affirmative, please explain whether we are now to understand that the rates proposed by the Postal Service in Docket No. R2001-1 and included in the settlement were, to use your terminology, based on a less acceptable costing result that yielded anomalous results.
- c. Please explain how your suggestion that the elimination of the crosswalk would yield more acceptable results aligns with the apparent fact that the DMM definition of a letter differs from the definition used to compensate rural carriers.
- d. Please provide a version of USPS-LR-K-101 with the rural crosswalk either eliminated or revised, which you believe to be more acceptable.

Response

- a. USPS-LR-K-101 utilizes the same methodology for the rural crosswalk that was used in PRC-LR-7 from Docket No. R2001-1.
- b. I am unaware of any reason to believe that the rural crosswalk caused anomalously high ECR Basic letter costs in Docket No. R2001-1. Due to the discrepancy in shape definitions that existed at that time, it seems to me that the rural crosswalk was appropriate to apply in deriving unit delivery costs in Docket No. R2001-1.
- c. The premise of the question seems to be incorrect. Please refer to the response of witness Kay to ADVO/USPS-T18-1c for the timing of the reconciliation between the shape definitions used for the DMM and the National Mail Count.

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d. Objection filed.

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VP/USPS-T16-40.

Please refer to your response to VP/USPS-T16-6(c) where you explain that the delivery cost of ECR Basic flats is substantially lower than the cost for corresponding regular flats is due primarily to lower city in-office casing costs. You state: "It occurs because total city inoffice casing costs are much higher for Standard Regular Flats than they are for ECR Basic Flats." You point to a casing cost for regular flats that is 2.72 times as high as the casing cost for ECR Basic flats (5.282/1.941).

- a. Is one of the factors associated with lower casing costs for ECR Basic flats that they must be prepared by the mailers in line-of-travel ("LOT") sequence? If so, please provide an analysis of how much speed LOT adds to casing and any associated cost effects, including copies of any analyses on which the Postal Service has relied in previous cases.
- b. Is one of the factors associated with lower casing costs for ECR Basic flats that their degree of machinability is higher? If so, please: (i) state how "machinability" affects the carrier casing operation for flats; (ii) identify the proportions of each of the two categories that are machinable; and (iii) as a practical matter, explain how much you would expect non-machinability to slow down the carrier casing operation.
- c. If the effect of machinability on carrier casing cost is of considerable magnitude, please explain whether you believe there is merit in recognizing the machinability of these pieces in the rate structure.
- d. What factors, other than LOT sequencing and machinability, have meaningful effects on the carrier casing speed in question? Please itemize each such factor, and explain what effect you would expect each one to have.

Response

- a. I don't know. Logically, the premise of your question seems reasonable, that mail sorted in line-of-travel "LOT" sequence can be cased at a faster rate than mail that is randomly ordered. Since I have not studied the issue, it is impossible for me to quantify the magnitude of the difference between the casing rates.
- b. Please refer to my response to part a.
- c. I don't know. Since my responsibilities do not include rate design, I cannot provide an answer.
- d. Please refer to my response to part a.

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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