

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0111**

POSTAL RATE AND FEES CHANGES, 2006

Docket No. R2006-1

**SECOND INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION
TO
UNITED STATES POSTAL SERVICE
WITNESS ALTAF H. TAUFIQUE (PSA/USPS-T32-7-13)**

The Parcel Shippers Association (PSA) requests United States Postal Service to respond fully and completely to the following interrogatories and requests for production of documents pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure.

Respectfully submitted,

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Dated: June 5, 2006

PSA/USPS-T32-7. Please refer to your response to PSA/USPS-T32-2(d) where you state, “No, it would not be a more meaningful comparison for two reasons.” You then provide one reason. What is the other reason?

PSA/USPS-T32-8. Please refer to your response to PSA/USPS-T32-2(e) where you state, “As I have stated earlier, the benefit of a shape based rate design should lead to a lower additional ounce rate, which is what we have proposed, given all the other limitations and constraints.” Please list and discuss all of the other limitations and constraints to which your response refers.

PSA/USPS-T32-9. Please refer to your response to PSA/USPS-T32-2 where you state, “It appears to me that your questions are attempting to confuse the additional ounce rate with the shape-based cost difference.” Please also refer to your response to PSA/USPS-T32-1(c) where you state, “Additional ounces are the recovery mechanism for both weight and shape related costs in the current rate structure.”

- (a) Do you believe that the \$1.17 mail processing and delivery cost difference between the average First-Class Mail single-piece letter and the average First-Class Mail single-piece parcel is due primarily to the difference in shape and only secondarily to the difference in weight? Please explain your rationale fully.
- (b) Please provide your best estimate of the percentage of the \$1.17 mail processing and delivery cost difference that is due to the difference in shape (holding weight constant). Please provide all of your underlying calculations.
- (c) Please provide your best estimate of the percentage of the \$1.17 mail processing and delivery cost difference that is due to the difference in weight. Please provide all of your underlying calculations.
- (d) Please provide the Postal Service’s best estimate of the unit mail processing and delivery cost per additional postage ounce for First-Class Mail single-piece letters. Please provide all of your sources and underlying calculations.
- (e) Please provide the Postal Service’s best estimate of the unit mail processing and delivery cost per additional postage ounce for First-Class Mail single-piece parcels. Please provide all of your sources and underlying calculations.
- (f) Please provide the Postal Service’s best estimate of the unit mail processing and delivery cost per additional postage ounce for First-Class Mail presort letters. Please provide all of your sources and underlying calculations.
- (g) Please provide the Postal Service’s best estimate of the unit mail processing and delivery cost per additional postage ounce for First-Class Mail presort parcels. Please provide all of your sources and underlying calculations.
- (h) Please confirm that additional ounces will still serve as a recovery mechanism for both weight and shape related costs in the proposed rate structure. Please your response fully. If not confirmed, please provide the passthrough of the weight-related costs that underlies the additional-ounce rate and all underlying calculations.

PSA/USPS-T32-10. For the purpose of this interrogatory, please assume that weight has no effect on the unit cost of a First-Class Mail parcel or a First-Class Mail letter. Please also refer to your response to PSA/USPS-T32-1(c) where you confirm that the average single-piece First-Class Mail parcel will generate 87 cents more in additional-ounce revenue than the average single-piece First-Class Mail letter and where you state, “Additional ounces are the recovery mechanism for both weight and shape related costs in the current rate structure.”

- (a) Please confirm that, in the hypothetical where weight has no effect on cost, additional ounces serve entirely as a recovery mechanism for shape related costs. If not confirmed, please explain fully.
- (b) Please confirm that, in the hypothetical where weight has no effect on cost, additional ounces will recover an average of 87 cents of shape related costs (that is, because parcels pay an average of 87 cents more in additional-ounce postage than do letters). If not confirmed, please explain fully.
- (c) Please confirm that your proposed rates will recover shape based costs through both the shape-based rate difference (holding weight constant) and through additional ounces. If not confirmed, please explain fully.
- (d) Did you consider reducing the additional ounce rate for single-piece parcels to less than 20 cents? If so, why did you reject this proposal?
- (e) Did you consider reducing the additional ounce rate for single-piece parcels to less than the additional ounce rate for single-piece letters and single-piece flats? If so, why did you reject this proposal?
- (f) Did you consider reducing the additional ounce rate for Business Parcels to less than 20 cents? If so, why did you reject this proposal?
- (g) Did you consider reducing the additional ounce rate for Business parcels to less than the additional ounce rate for presort letters and flats? If so, why did you reject this proposal?

PSA/USPS-T32-11. Please refer to your response to PSA/USPS-T32-6(b) where you state, “The results appeared anomalous to me and that is why the passthrough for this cost is only 15 percent.”

- (a) Given that the result appears anomalous, is it also accurate to say that the passthrough is unknown because the Postal Service does not have an accurate estimate of the unit mail processing and delivery cost of First-Class Mail presort parcels?
- (b) Please provide your best estimate of the unit mail processing and delivery cost of First-Class Mail presort parcels. Please provide all of your sources and underlying calculations.
- (c) Given that the same method and data sources were used to estimate the cost of single-piece parcels and presort parcels, can you rule out the possibility that the unit mail processing cost for single-pieces parcels is also inaccurate? Please explain your response fully.

PSA/USPS-T32-12. Please refer to your response to PSA/USPS-T32-1(c) where you state, “The proposed reduction in the additional ounce rate from 24 cents to 20 cents allows us to recognize that, as shape is more explicitly recognized in the rate structure, given other ratemaking considerations, the additional ounce rate will be relieved of the burden to recover the weight and shape based costs.

- (a) Please confirm that the proposed 4-cent reduction in the additional ounce rate reduces additional ounce postage for the average single-piece First-Class Mail parcel by approximately 18 cents. If not confirmed, please provide the correct figure.
- (b) Please confirm that this reduction in additional ounce revenue is approximately 30% of the proposed 58-cent shape-based postage difference being proposed. If not confirmed, please provide the correct figure.

PSA/USPS-T32-13. Please refer to USPS-LR-L-129, WP-FCM-10a.

- (a) Please confirm that you project that the average First-Class Mail Business Parcel will pay for 4.34 additional ounces in the Test Year. If not confirmed, please provide the correct figure.
- (b) Please confirm that you project that the average First-Class Mail presort letter will pay for .04 additional ounces in the Test Year. If not confirmed, please provide the correct figure.
- (c) Please confirm that, at the proposed rates, the average First-Class Mail Business presort parcel will generate approximately 86 cents more in additional-ounce revenue than the average First-Class Mail presort letter. If not confirmed, please provide the correct figure.