

**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 JAMES M. KIEFER (PSA/USPS-T37-6-12)**

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,

Timothy J. May
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037
Tel: 202 457 6050
Fax: 202 457 6315
tmay@pattonboggs.com

Counsel for Parcel Shippers Association

Dated: June 8, 2006

PSA/USPS-T37-6. Please refer to USPS-T-37, WP-PP-1 and WP-PP-27.

- (a) Please confirm that, in FY 2005, 68.52% of DBMC parcels were barcoded. If not confirmed, please provide the correct figure.
- (b) Please confirm that, in TYAR, you estimate that 100% of DBMC parcels will be barcoded. If not confirmed, please provide the correct figure.
- (c) Please provide your best estimate of the TYAR cost savings that will result from the increase in the proportion of DBMC parcels that will be barcoded and provide your underlying calculations.
- (d) Please confirm that the cost savings specified in subpart (c) of this interrogatory have not been incorporated into the TYAR costs for the Parcel Post subclass. If not confirmed, please explain your response fully.
- (e) Assume that, in TYAR, the proportion of DBMC-entered parcels that are barcoded remains at 68.52%. How much higher would your estimate of TYAR Parcel Post revenue be? Please explain your calculations fully.
- (f) Please confirm that the additional revenue specified in subpart (e) of this interrogatory has not been incorporated into the TYAR revenues for the Parcel Post subclass. If not confirmed, please explain your response fully.
- (g) Please explain the basis of your assumption that, in TYAR, all Parcel Post pieces entered at the DBMC will be barcoded.

PSA/USPS-T37-7. Please refer to USPS-LR-L-59, Attachment 14A, “Shift Other Special Services Cost to Respective Subclass” and USPS-T-37, WP-PP-1.

- (a) Please confirm that the Parcel Post Delivery Confirmation Final Adjustment increases TYAR Parcel Post costs by \$39.3 million. If not confirmed, please explain fully.
- (b) Please confirm that the \$39.3 million was calculated by multiplying 267.83 million TYAR pieces by a unit cost of \$.1467 per piece. If not confirmed, please explain fully.
- (c) In the test year, for how many TYAR Parcel Select pieces do you expect no-fee delivery confirmation to be used? Please explain your calculation.
- (d) Taking into account your response to subpart (c) of this interrogatory, please provide your best estimate of how much the Parcel Post Delivery Confirmation Final Adjustment should increase TYAR Parcel Post costs. Please provide your underlying calculations.

PSA/USPS-T37-8. Please refer to USPS-T-37, WP-PP-33, 34, 37, and 40. Please also refer to lines 4 through 8 on page 20 of your testimony where you state, “As discussed in Postal Service witness Scherer’s (USPS-T-33) testimony, some Priority Mail pieces are expected to leave the subclass entirely to avoid dim-weighted pricing. He estimates that approximately 2.7 million Priority Mail pieces will migrate. Based on the mail characteristics of these pieces, I assume about a third of pieces leaving Priority Mail will migrate to Inter-BMC Parcel Post.”

- (a) Please confirm that you project that the Postal Service’s Priority Mail Dim-Weight Pricing proposal will result in approximately 877 thousand pieces migrating from Priority Mail to Inter-BMC Parcel Post. If not confirmed, please explain fully.
- (b) Please confirm that you project that the pieces specified in subpart (a) of this interrogatory will cost a total of \$17.3 million in the Test Year.
- (c) Please confirm that you project that the pieces specified in subpart (a) of this interrogatory will generate approximately \$10 million in revenue.

- (d) Please confirm that excluding the costs and revenues for “Dim-Wt Migrants” would increase the TYAR Parcel Post cost coverage from 115.2% to 116.0%. If not confirmed, please explain fully.
- (e) Please explain why you assumed that one-third of the pieces leaving Priority Mail will migrate to Parcel Post.
- (f) Please explain why you assumed that the pieces specified in your response to subpart (e) of this interrogatory will be mailed at Inter-BMC rates.

PSA/USPS-T37-9. Please refer to USPS-LR-L-59, ‘Summary of Final Adjustments by Cost Segment (\$000s).’

- (a) Please confirm that witness Page estimates that a change in the Parcel Post mail mix between the Base Year and TYAR will increase Parcel Post costs by \$32 million. If not confirmed, please provide the correct figure.
- (b) Please explain how Parcel Post mail mix will change between the Base Year and TYAR and why this change will occur.
- (c) By how much did these same Parcel Post mail mix changes increase TYAR revenue?

PSA/USPS-T37-10. Please refer to your response to PSA/USPS-T37-1(a) where you estimate per-piece “assigned costs” for Intra-BMC parcels of \$5.36 and calculate an average revenue per piece for Intra-BMC parcels of \$5.39.

- (a) Please confirm that your best estimate of the TYAR average unit contribution of Intra-BMC parcels is 3 cents. If not confirmed, please provide the correct figure and provide all of your underlying calculations.

- (b) Is the unit contribution figure specified in your response to subpart (a) of this interrogatory also your best estimate of the average TYAR unit contribution of RDU parcels if mailed as intra-BMC parcels? If not, please provide your best estimate of the TYAR unit contribution of RDU parcels if mailed as intra-BMC parcels and provide all of your underlying calculations.
- (c) Is the unit contribution figure specified in your response to subpart (a) of this interrogatory also your best estimate of the average TYAR unit contribution of RBMC parcels if mailed as intra-BMC parcels? If not, please provide your best estimate of the TYAR unit contribution of RBMC parcels if mailed as intra-BMC parcels and provide all of your underlying calculations.

PSA/USPS-T37-11. Please refer to WP-ParcelPost-R0601.xls, WP-PP-39. For the purpose of this interrogatory, please assume that WP-ParcelPost-R0601.xls accurately calculates all PRS cost savings.

Table 1. Per-Piece PRS Financial Summary

| | Cost Savings | Revenue Reduction | Increase in Contribution |
|------|---------------------|--------------------------|---------------------------------|
| | [1] | [2] | [3]=[1]-[2] |
| RDU | \$4.23 | \$2.47 | \$1.76 |
| RBMC | \$2.10 | \$1.15 | \$0.95 |

- (a) Please confirm that Table 1 above accurately summarizes the TYAR per-piece financial impact of PRS. If not confirmed, please update Table 1 with the correct figures and provide your underlying calculations.
- (b) Please confirm that the TYAR unit contribution of PRS parcels can be calculated by summing the unit contribution specified in your response to PSA/USPS-T37-10(a) and the figures in the “Increase in Contribution” column in Table 1. If not confirmed, please provide your best estimate of the TYAR unit contribution of RDU and RBMC parcels and your underlying calculations.

PSA/USPS-T37-12. Please refer to your response to PSA/USPS-T37-1(c). Please provide your best estimate of the extent to which the per-piece transportation cost savings figures in WP-PP-29 and WP-PP-30 may have been overstated and provide your underlying calculations.