

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS
THOMAS M. SCHERER (USPS-T-33) TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE, REDIRECTED
FROM WITNESS TAUFIQUE (USPS-T-32) (OCA/USPS-T32-5-7)
(June 16, 2006)

The United States Postal Service hereby provides the responses of witness Thomas M. Scherer (USPS-T-33) to the following interrogatories of the Office of the Consumer Advocate, which have been redirected from witness Taufique (USPS-T-32), and which were filed on June 2, 2006:

OCA/USPS-T32-5-7

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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TO INTERROGATORIES OF THE OFFICE OF THE CONSUMER ADVOCATE,
REDIRECTED FROM WITNESS TAUFIQUE (USPS-T-32)

OCA/USPS-T32-5. For FY 2005, what percentage of single piece Priority Mail postage was paid by a customer at the window? If you are unable to provide an exact percentage, please provide a ball park estimate. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

For a source that can provide, at a minimum, a ballpark estimate for the requested information, please go to the Postal Service's web site, www.usps.com. Find and click on "About USPS & News." Then click on "Financial Information." Then click on "Quarterly Statistics Reports (QSR)." Then access any of the PDF files representing the four quarters in FY 2005. In these files, you will find, in Table 3-A, a distribution of Priority Mail revenue by indicia. Summing across the four quarters, the following aggregate distribution is obtained for FY 2005: 4.9 percent stamps, 40.1 percent meter, 39.6 percent PVI (postage validation imprinter), and 15.4 percent permit.

What constitutes "single-piece" Priority Mail — as referenced in the question above — is ambiguous. I construe Priority Mail to be 100 percent single-piece because no bulk rates are offered. Others might exclude permit revenue and perhaps some other components of revenue. The PVI component of revenue (\$1,833.5 million, or 39.6 percent) is a good proxy for postage paid at the window. Conveniently, it excludes postage already applied when the customer arrives at the window. A small portion of the stamps share (\$226.6 million, or 4.9 percent) is probably also purchased and immediately applied at the window. Therefore, my best estimate for the share of Priority Mail postage that is paid by customers at the window is 40 percent.

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OCA/USPS-T32-6. For FY 2005, what percentage of single piece Priority Mail postage is prepaid by the customer prior to dropping off the parcel at the USPS window? If you are unable to provide an exact percentage, please provide a ball park estimate. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

To the best of my knowledge, the answer to this question is not known.

According to the Retail Data Mart, which compiles information from POS ONE retail transactions, in FY 2005, 95.0 percent of all Priority Mail postage from such transactions was paid at the time of the transaction (*i.e.*, at the window). For these particular transactions, therefore, 5.0 percent of the postage was pre-affixed. However, this does not consider mail pieces that may have been taken to the window with postage already fully applied, and as a result avoiding POS ONE processing altogether.

No data are available for Priority Mail parcels specifically (if that is what the interrogatory is requesting, which is unclear).

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OCA/USPS-T32-7. The following interrogatory relates to the proposed Priority Mail “Dim-weighting” pricing and the introduction of the one cubic foot maximum dimension restriction for Zones 5 through 8.

- a. Given that many shapes can fall within the one foot cubic maximum dimension, please specifically identify each step that a window clerk must perform to determine the postage for a Priority Mail package to Zones 5 through 8 that may exceed the one cubic foot package volume restriction.
- b. Referring to part a of this interrogatory, please specifically identify whether and how the additional steps taken by the window clerk, to ensure that a Priority Mail package does not exceed the one cubic foot volume, are factored into the cost calculations for window clerk time either for Dim-weight pricing or for window clerk time not attributed to Dim-weight pricing. Include in your response the derivation of all calculated values, cite all sources, and provide copies of those source documents not previously filed in this docket.

RESPONSE:

- a. The Postal Service has not yet worked out implementation procedures for Priority Mail dim-weighting. However, one possibility under discussion for the retail window is as follows. Upon receipt of the parcel, the window clerk will enter the destination ZIP Code into the retail computer system (POS ONE or integrated retail terminal). If that indicates a Zone 5 - 8 shipment, then the clerk will make a judgment (prompted by the computer) whether the parcel may exceed one cubic foot. In that event, length, width and height measurements will be taken and entered into the computer. For irregularly shaped parcels (*i.e.*, those without rectangular faces), the measurements will be at the parcel’s maximum cross-sections.

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Response to OCA/USPS-T32-7 (cont.)

The retail computer system will basically take care of the rest. Cubic volume for regularly shaped parcels will be calculated as length x width x height, all in inches.

Cubic volume for irregularly shaped parcels will be calculated in the same way, but with an adjustment factor of 0.785. If volume exceeds one cubic foot (1,728 cubic inches), the retail computer will calculate the dimensional (dim) weight (in pounds) as the cubic volume (in cubic inches) divided by a "dim factor" of 194. If the dim weight exceeds actual weight, then the parcel will be rated at the dim weight. Otherwise it will be rated, as usual, at the actual weight.

b. Witness Page (USPS-T-23) estimates incremental Priority Mail acceptance costs from dim-weighting in USPS-LR-L-59, Attachment 14A. The total, \$2.3 million, is based on a unit transaction cost (57.75 cents) that assumes 30 seconds in incremental window clerk time per transaction (on average). That input was used by Mr. Page at my direction. I based it on Canada Post's estimated 18 seconds (see my USPS-T-33 at page 16, lines 15 - 19), assuming that it will take the Postal Service longer during start-up.

Witness Page's calculation also includes an adjustment factor of +1.5. This was also at my direction. It reflects an acknowledgement that due to the judgmental nature of deciding whether a parcel may exceed one cubic foot (see the response to OCA/USPS-T32-7a, above), some parcels coming under the threshold will also be measured. In addition, some parcels exceeding one cubic foot but sufficiently

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Response to OCA/USPS-T32-7 (cont.)

high-density to avoid dim-weighting will be measured. The assumption implicit in the adjustment factor is that for every two parcels exceeding one cubic foot and qualifying for dim-weighting, one parcel not qualifying for dim-weighting — either because it does not exceed one cubic foot or because it is relatively high-density — will also be measured.

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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