

DOCKET SECTION

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MOELLER TO INTERROGATORIES OF
THE PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T36-5-8)

The United States Postal Service hereby provides responses of witness Moeller to the following interrogatories of the Parcel Shippers Association: PSA/USPS-T36-5-8, filed on September 17, 1997.

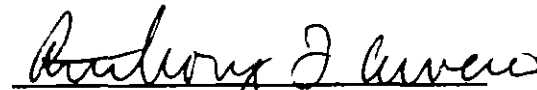
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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October 1, 1997

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
INTERROGATORIES OF THE PARCEL SHIPPERS ASSOCIATION

PSA/USPS-T36-5. In your response to PSA/USPS-T26-1, redirected from witness Seckar, you state that: "Revenue for flats only, or residual shape only, cannot be calculated since the weight profile and destination entry profile is not available for these two groupings." Does this mean that the Postal Service is unable to state whether, assuming the application of the 10 cent per piece surcharge, Standard (A) flats will have less cost coverage than Standard (A) residual shapes? If the answer is anything other than in the affirmative, please explain how the Postal Service would be able to compute cost coverage if it does not know the revenues from either category.

RESPONSE:

This question implies that the Postal Service is able to compute cost coverages by rate category. Such computation is not a required step for developing specific rate elements and was not used in the rate design process.

A specific comparison of cost coverages is not possible because the Postal Service did not measure or employ separate cost coverages for flats and for pieces subject to the residual shape surcharge. One might suspect, however, that, since the passthrough for the residual shape surcharge is so low, flats would have a higher implicit cost coverage than pieces subject to the residual shape surcharge.

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
INTERROGATORIES OF THE PARCEL SHIPPERS ASSOCIATION

PSA/USPS-T36-6. Your response to PSA/USPS-T37-2, redirected from witness Mayes, states that: "Some Standard Mail (A) parcels will be processed on sorters equipped with barcode readers." Do you have any basis for an estimation of what percentage of Standard (B) parcels compared to Standard (A) parcels will be processed on sorters equipped with barcode readers? If your response is affirmative, please supply the estimates.

RESPONSE:

I do not have an estimate of what percentage of Standard (B) parcels compared to Standard (A) parcels will be processed on sorters equipped with barcode readers. However, there are several sources of data that might be helpful in forming a basis for an estimate, or at least an upper bound of an estimate. It is my understanding that 92 percent of non-OMAS, non-Alaska, inter-BMC Parcel Post is estimated to be machinable on the equipment in question based on the definition of machinability in the DMM. Please see USPS LR-H-135. For the percentages of non-Alaska, non-OMAS, intra-BMC and DBMC Parcel Post please refer to page 1 of workpaper USPS-T-37, WP I.I. Pieces in the remaining Standard (B) subclasses that are presorted to carrier route or 5-digit, or are above the weight limit for machinability, will not likely be processed on the parcel sorters. For information regarding Standard Mail (A) parcels, see witness Crum's response to RIAA/USPS-T28-2.

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
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PSA/USPS-T36-7. In your response to PSA/USPS-T36-4(c), redirected from witness Mayes, you state that it would not be surprising if the amount of cost differences that end up being averaged between letters and non-letters is greater than the amount of cost differences that is being averaged between flats and residual-shape pieces. Does that answer suggest the probability that there is a more serious problem of cross-subsidization between letters and non-letters than there are between flats and residual pieces? Please explain any answer that is not in the affirmative.

RESPONSE:

The answer merely states the possibility (not the probability) that the amount of averaging between letters and nonletters (of which residual shape pieces are a part) is greater than the averaging between flats and residual shape pieces. If there is a problem with "cross-subsidization" between letters and nonletters (as is implied in this question), such "cross-subsidization" is more serious without a residual shape surcharge. Also, if there is indeed a "cross-subsidization" problem between letters and nonletters, that problem is more serious between letters and residual shape pieces than it is between letters and flats. The possibility that more averaging exists across one pair of shapes relative to another does not imply that both issues cannot be addressed simultaneously.

U.S. POSTAL SERVICE WITNESS MOELLER RESPONSE TO
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PSA/USPS-T36-8. In your response to DMA/USPS-T4-23, redirected from witness Moden, you state that if a barcode discount were proposed for Standard (A) parcels that: "it would essentially split this relatively small segment of Standard Mail (A) into two smaller groups. . . ." Please provide the total volume of this segment of Standard (A) Mail and explain why you believe that that volume of mail is "relatively small," and please explain why splitting this kind of mail into two groups rather than one would be "counter to the intended simplicity of the per piece surcharge."

RESPONSE:

The total number of pieces projected to be subject to the residual shape surcharge in the test year is estimated to be 1.2 billion (USPS-T-36, WP1, page 13, and WP2, page 13). The total Standard Mail (A) volume for the test year is estimated to be 79.4 billion pieces. (USPS-T-36, WP1, page 3, and WP2, page 3). I consider the volume subject to the residual shape surcharge (1.5 percent of Standard Mail (A)) to be small relative to the other shape categories.

Please see my testimony at page 12, line 17 through page 13, line 7, regarding the simplicity issue.

DECLARATION

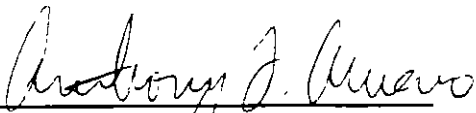
I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


JOSEPH D. MOELLER

Dated: October 1, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Anthony F. Alverno

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