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 MICHAEL W. MILLER (USPS-T-20) TO
INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION,
REDIRECTED FROM WITNESS TAUFIQUE (PSA/USPS-T32-16)
(July 7, 2006)

The United States Postal Service hereby provides the response of Postal Service

witness Miller (USPS-T-20) to interrogatory PSA/USPS-T32-16, which has been

redirected from witness Taufique.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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TO INTERROGATORY OF THE PARCEL SHIPPERS ASSOCIATION,
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PSA/USPS-T32-16. Please refer to the table entitled "FCM – Business Parcels" on page 37 of your testimony. This table provides the mail processing cost avoided by ADC, 3-Digit, and 5-Digit parcels relative to the next higher presort level. Please provide your best estimate of the mail processing cost avoided by ADC, 3-Digit, and 5-Digit parcels relative to First-Class Mail single-piece parcels and relative to First-Class Mail Nonautomation parcels and provide all of your underlying calculations. Please include in your estimates the cost savings from meeting the automation requirements for First-Class Mail Business Parcels.

RESPONSE:

The First-Class Mail presort parcels cost savings estimates in witness Taufique's

testimony rely on mail processing unit cost estimates I have developed in USPS-LR-L-

43, pages 4 to 8. These estimates have been developed using data in the flats cost

models I sponsor in testimony USPS-T-20. It is assumed that the parcels would be

processed in Automated Parcel Processing System (APPS), Small Parcel and Bundle

Sorter (SPBS), Linear Integrated Parcel Sorter (LIPS), or manual bundle sorting

operations. The flats coverage factors have been relied upon to perform this analysis,

even though they were designed to reflect the methods in which flats bundles are

processed. I therefore view the mail processing unit cost estimates for parcels to be

conservative, as it is my understanding that First-Class Mail presort parcels are more

likely to be processed manually than are flats bundles. I also rely on flats CRA

adjustment factors as proxies in my analysis. I do not attempt to compare the First-

Class Mail presort parcels model cost estimates to the First-Class Mail presort parcels

mail processing unit cost estimate by shape developed by witness Smith (USPS-T-13)

because we do not have detailed mail characteristics data, including volumes by presort

level, for First-Class Mail presort parcels. The usage of flats CRA adjustment factor

proxies is also likely to result in conservative estimates.

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Witness Taufique's use of the data is not problematic because he simply compares cost estimates for parcels at one presort level to cost estimates for parcels at another presort level, and these estimates were all developed using the methods described above.

The development of cost comparisons related to a different cost by shape estimate, in this case First-Class Mail single-piece parcels, however, is problematic because the cost estimates I develop rely on conservative inputs and do not reflect actual data related to First-Class Mail presort parcels. As stated above, these data do not exist. My analysis has been developed to simply show that First-Class presort parcels incur greater mail processing costs than do First-Class Mail flats. This analysis is also not structured to measure any costs savings that might be incurred when mailers apply postal barcodes to First-Class Mail presort parcels.

It is therefore my opinion that the requested cost comparisons would not make sense. If an analyst desired to conduct such an analysis, however, they could compare my unit cost estimates from USPS-LR-L-43 with witness Smith's unit cost by shape estimates from USPS-LR-L-53.