

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

INSTITUTIONAL RESPONSES OF UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE
(PB/USPS-T32-61-64)

The United States Postal Service hereby files the institutional responses to the following interrogatories of Pitney Bowes Inc., redirected from witness Taufique: PB/USPS-T32-61-64, filed on June 29, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Kenneth N. Hollies
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -5402
July 21, 2006

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

- PB/USPS-T32-61.** Please refer to Labeling List L005 in the Domestic Mail Manual:
- a. Please confirm that L005 describes service areas by individual 3-digit ZIP Code prefix for mail destined to sectional center facilities. If you cannot confirm, please explain fully.
 - b. For FY 2005 and Test Year After Rates (“TYAR”) please provide your best estimate of (1) the number of First-Class Mail Presort Letter pieces, and (2) the total First-Class Mail Presort Letter postage ounces that were entered in the service areas of the Destination Sectional Center Facilities (“SCFs”). Please explain your sources and provide your underlying calculations.
 - c. Please state what percentage of the pieces and postage ounces specified in your response to PB/USPS-T32-45(b) above, were entered at the SCF specified in Column B of Labeling List L005. Please explain your sources and provide your underlying calculations.

RESPONSE:

- a. Confirmed.
- b. The following table provides the requested information:

	Automation Letters Pieces (000)	Automation Letters Addl. Ounces (000)
FY 2005	45,734,295	1,545,441
	16.15%	16.15%
	7,386,089	249,589
TYAR	46,715,355	1,582,851
	16.15%	16.15%
	7,544,530	255,630

These results were derived by taking the average FY 2005 percent of First-Class presort mail that is Intra-PDC (16.15 percent) as shown in the Postal Service Quarterly Statistics Report and multiplying by the automation letters volume and additional ounces for both FY 2005 and TYAR. Quarterly Statistics number is derived from mail pieces where both the origin and destination of the piece can be determined; the majority of these are metered and stamped mail. For a significant

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

portion of the automation letters, usually permit imprint pieces, the origin of the mailpiece cannot be determined. If the proportion of Intra-PDC is correlated with the absence of origin information then the Intra-PDC estimate of 16.15 percent will be erroneous. As no origin information is available for these pieces, the Postal Service does not have the ability to quantify either the magnitude or direction of this possible error.

c. 100% by construction. The average FY 05 percent of First-Class presort mail that is intra-PDC is a national figure, as are the FY 2005 and TYAR volume and postage ounces estimates. Therefore the answer in T32-45(b) pertains to all the SCFs in Column B of Labeling List L005.

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

- PB/USPS-T32-62.** Please refer to Labeling List L004 in the Domestic Mail Manual:
- a. Please confirm that Labeling List L004 describes the service area by individual 3-digit ZIP Code prefix for mail destined to an area distribution center. If you cannot confirm, please explain fully.
 - b. For FY 2005 and TYAR please provide your best estimate of (1) the number of First-Class Mail Presort Letter pieces, and (2) the total First-Class Mail Presort Letter postage ounces that were entered in the service areas of the Destination Area Distribution Centers ("ADCs"). Please explain your sources and provide your underlying calculations.
 - c. Please state what percentage of the pieces and postage ounces specified in your response to PB/USPS-T32-46(b) above, were entered at the ADC specified in Column B of Labeling List L004. Please explain your sources and provide your underlying calculations.

RESPONSE:

- a. Confirmed.
- b. No data exist that allow this to be done for ADCs.
- c. No data exist that allow this to be done for ADCs.

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

- PB/USPS-T32-63.** Please refer to Labeling List L201 in the Domestic Mail Manual:
- a. Please confirm that Labeling List L201 describes the First-Class Mail surface transportation reach of an origin facility for use in preparation of bundles and sacks of Periodicals mail (including News).
 - b. Please confirm that for Periodicals addressed to destinations within the First-Class Mail surface reach of the origin facility, Labeling List L201 can optionally be used to prepare mixed origin ADC bundles and sacks to enable the integration of this volume into the First-Class Mail mailstream at the origin facility. If you cannot confirm, please explain fully.
 - c. Please confirm that Labeling List L201 may be used to describe the reach of the First-Class Mail surface transportation network from each origin facility. If you cannot confirm, please explain fully.
 - d. For FY 2005 and TYAR please provide your best estimate of (1) the number of First-Class Mail Presort Letter pieces, and (2) the total First-Class Mail Presort Letter postage ounces that were entered within the First-Class Mail surface transportation reach of origin facilities. Please explain your sources and provide your underlying calculations.
 - e. Please confirm that the pieces and postage ounces provided in your response to PB/USPS-T32-45(b) are a subset of the pieces and postage ounces provided in your response to PB/USPS-T32-46(b). If you cannot confirm, please explain fully.
 - f. Please confirm that the pieces and postage ounces provide in your response to PB/USPS-T32-46(b) are a subset of the pieces and postage ounces provided in your response to PB/USPS-T32-47(d). If you cannot confirm, please explain fully.
 - g. Please provide your best estimate of the FY 2005 and TYAR First-Class Mail Presort Letters pieces and postage ounces that were entered outside of the First-Class Mail surface transportation reach of the origin facility. Please explain your sources and provide your underlying calculations.

RESPONSE:

- a. Confirmed.
- b. Partially confirmed since as of July 6, 2006 the list/preparation will no longer be optional.
- c. Confirmed.
- d. No data exist that allow us to determine the percentage of mail entered within the surface transportation reach of the origin facilities. The L201 list was not an option until FY 2006. There is no basis for formulating an estimate.
- e. Cannot confirm. Please see the response to subpart d, above.
- f. Cannot confirm. See subpart d, above.

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

- g. No data exist that allow us to determine the percentage of mail entered outside the surface transportation reach of the origin facilities.

INSTITUTIONAL RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORY OF PITNEY BOWES INC.,
REDIRECTED FROM WITNESS TAUFIQUE

PB/USPS-T32-64. Has the Postal Service undertaken any studies to assess the cost savings or cost avoidances to the Postal Service, potential rates or rate designs, or the impacts to mailers including any changes in their behavior from providing destination entry discounts or zoned rates for Presorted First-Class Mail. If it has, please provide any documents or studies created or undertaken on behalf of the Postal Service regarding destination entry discounts or zoned rates for Presorted First-Class Mail.

RESPONSE:

Only of one such study exists: "First-Class Mail Destination-Entry Quantitative Market Research Study" for which only a Draft Final Report was prepared in November 1999.

The purpose of the study was to determine mail depositor reaction to two possible worksharing discounts for discounted First-Class Mail entered at its Destination Sectional Center Facility (DSCF). The study asked mailers for their expected 1999 volume, and the percentage that would be DSCF entered assuming either of two discounts. The complete Draft Final Report is being filed as library reference USPS-LR-L-157, together with summaries of qualitative interviews with twenty respondents. The qualitative study entailed interviews in which mailer-specific reactions to the proposed discounts, including level of interest, impact upon entry time, volume impact, impact on mail production, perceived benefits to customers, billing practices, and other topics. Consideration of the sensitivity of the qualitative summaries of interviews delayed the filing of these responses, especially since respondents were specifically promised confidentiality and there was some question whether respondent identities could be discerned from the material. Postal Service review of the quantitative and qualitative information, however, led to the conclusion that no competitive harm will result from providing access to the Draft Final Report or Interview Summaries; accordingly, all responsive material is being provided.