

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

SECOND REVISED RESPONSE OF
UNITED STATES POSTAL SERVICE WITNESS TAUFIQUE
TO INTERROGATORY OF PARCEL SHIPPERS ASSOCIATION
(PSA/USPS-T32-4) [ERRATA]

Earlier today, the United States Postal Service filed the revised response of witness Altaf H. Taufique to the following interrogatory of Parcel Shippers Association: PSA/USPS-T32-4, to supersede the original response filed on June 2, 2006. The filing this morning did not include an attachment that should have accompanied the revised response to PSA/USPS-T32-4. Herewith is a second revised response to PSA/USPS-T32-4, with the attachment. It supersedes the version filed earlier today. The Postal Service regrets any inconvenience caused by this oversight,

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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July 24, 2006

**REVISED RESPONSE OF POSTAL SERVICE WITNESS TAUFIQUE
TO PARCEL SHIPPERS ASSOCIATION INTERROGATORY
Revised: July 24, 2006**

PSA/USPS-T32-4. Please provide unit TYBR postage, unit TYAR postage, and unit Test Year costs for single-piece First-Class Mail single-piece parcels.

RESPONSE

TYBR average unit postage is \$ 1.45, and TYAR average unit postage is \$ 1.88.

After the filing of the Postal Service institutional response to interrogatory DBP/USPS-40 and USPS Library Reference LR-L-139), it became apparent that some data regarding Single-Piece costs by shape was available in a different configuration than I used in my rate design. (I used the combination of mail processing and delivery costs provided by witnesses Smith and Kelly). Also, in response to interrogatory OCA/USPS-26, the Postal Service plans to file similar data for First-Class presort mail. I did not utilize the data in USPS LR-L139 or that which is being provided in response to OCA/USPS-26 for average total costs by shape for either shape based rate design or the additional ounce rate. It is my understanding that mail processing and delivery are the largest components of the costs for First-Class Mail and are the only two that seem to differ by shape in a pronounced way. It was the mail processing and delivery cost data that I have used in my rate design work. It is my understanding that there are a number of issues related to cost estimates by weight increment and shape. However, these cost by shape data, in the aggregate, provide reasonable estimates of costs by shape for both presort and single-piece First-Class Mail, except where the target population is small, such as parcels in the Presort category. The attached Excel spreadsheet provides the per-unit cost and

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RESPONSE to PSA/USPS-T32-4 (continued):

revenue estimates for letters, flats and parcels both within single-piece and presort.

Single-Piece

| | Volume | Rate | Postage | Cost/Pc. | Implicit* Coverage | Per Unit Contr. |
|--|----------------|----------|-------------------|----------|--------------------|-----------------|
| Letters | 33,724,803,854 | \$ 0.420 | \$ 14,164,417,619 | | | |
| Additional Ounces | 1,904,667,435 | \$ 0.200 | \$ 380,933,487 | | | |
| Total | | | \$ 14,545,351,106 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 0.431 | \$ 0.222 | 194% | \$ 0.209 |
| Flats | 3,064,106,887 | \$ 0.620 | \$ 1,899,746,270 | | | |
| Additional Ounces | 8,519,077,035 | \$ 0.200 | \$ 1,703,815,407 | | | |
| Total | | | \$ 3,603,561,677 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 1.176 | \$ 0.691 | 170% | 0.49 |
| Parcels | 417,527,695 | \$ 1.000 | \$ 417,527,695 | | | |
| Additional Ounces | 1,844,525,463 | \$ 0.200 | \$ 368,905,093 | | | |
| Total | | | \$ 786,432,788 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 1.884 | \$ 1.682 | 112% | 0.20 |

Volume, Rates & Postage LR-L-129, cost per piece LR-L-139

Presort

| | | | | | | |
|--|----------------|----------|-------------------|----------|------|--------|
| Letters | | | | | | |
| Mixed AADC | 2,918,777,525 | \$ 0.346 | \$ 1,009,897,024 | | | |
| AADC | 2,538,198,148 | \$ 0.335 | \$ 850,296,379 | | | |
| 3-Digit | 23,024,390,316 | \$ 0.331 | \$ 7,621,073,195 | | | |
| 5-Digit | 18,233,989,119 | \$ 0.312 | \$ 5,689,004,605 | | | |
| Additional Ounces | 1,582,850,657 | \$ 0.155 | \$ 245,341,852 | | | |
| Total | | | \$ 15,415,613,055 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 0.330 | \$ 0.101 | 327% | 0.23 |
| Flats | | | | | | |
| Mixed ADC | 46,773,535 | \$ 0.465 | \$ 21,749,694 | | | |
| ADC | 111,844,500 | \$ 0.433 | \$ 48,428,669 | | | |
| 3-Digit | 274,864,435 | \$ 0.423 | \$ 116,267,656 | | | |
| 5-Digit | 349,107,108 | \$ 0.398 | \$ 138,944,629 | | | |
| Additional Ounces | 1,117,431,978 | \$ 0.200 | \$ 223,486,396 | | | |
| Total | | | \$ 548,877,043 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 0.701 | \$ 0.435 | 161% | 0.27 |
| Parcels | | | | | | |
| ADC | 22,974,619 | \$ 0.727 | \$ 16,702,548 | | | |
| 3-Digit | 57,877,964 | \$ 0.717 | \$ 41,498,500 | | | |
| 5-Digit | 73,511,179 | \$ 0.643 | \$ 47,267,688 | | | |
| Additional Ounces | 669,944,658 | \$ 0.200 | \$ 133,988,932 | | | |
| Nonmachinable Pcs. | 6,860,498 | \$ 0.050 | \$ 343,025 | | | |
| Total | | | \$ 239,800,693 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 1.553 | \$ 3.484 | 45% | (1.93) |

Presort parcels assumption change - See response to PSA/USPS-T20

| | | | | | | |
|--|-------------|----------|----------------|----------|-----|--------|
| Pieces | 154,363,762 | \$ 1.000 | \$ 154,363,762 | | | |
| Total | 669,944,658 | \$ 0.200 | \$ 133,988,932 | | | |
| Revenue and Cost Per Piece & Implicit Coverage | | | \$ 1.868 | \$ 3.484 | 54% | (1.62) |

Volume, Rates & Postage LR-L-129, cost per piece - institutional response to OCA/USPS-26

* Cost coverages are calculated only at subclass level.