

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

**RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS YEH
TO INTERROGATORIES OF AMAZON.COM, INC.**
(AMZ/USPS-T38-17 - 22)

The United States Postal Service hereby provides the responses of witness Yeh to the following interrogatories of Amazon.com, Inc., filed on July 11, 2006:

AMZ/USPS-T38-17 - 22.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH
TO INTERROGATORY OF AMAZON.COM, INC.

AMZ/USPS-T38-17.

Please provide any available data showing (i) the percentage of Bound Printed Matter ("BPM") that consisted of non-catalogs (e.g., books) and (ii) the percentage of BPM that consisted of catalogs in Base Year 2005.

RESPONSE:

These data are not available.

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AMZ/USPS-T38-18.

Please provide FY 2005 data for BPM that show the relationship between (i) weight (by pound increments, up to 15 lbs.), and (ii) cube, or density. If FY 2005 data are not available, then please provide data for the most recent year available.

RESPONSE:

These data are not available .

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AMZ/USPS-T38-19.

Please refer to Docket No. R2001-1, USPS-T-33, page 42, lines 15-26, where witness Kiefer describes adjustments to his preliminary rate elements for Media Mail and Library mail. At lines 19-22, he states that:

In the past, both the Postal Service and the Commission have mitigated these large first pound rate increases by shifting some of the increase from the first pound to the second through seventh pounds and, to a lesser extent, to heavier rate cells.

- a. Did you review witness Kiefer's testimony prior to finalizing your testimony in this case?
- b. Did you consider following what witness Kiefer described as the Postal Service and Commission practice of mitigating large first pound increases for Media and Library Mail?
- c. Please explain why you did not mitigate the large first pound increases in line with prior Postal Service and Commission practice.

RESPONSE:

- a. Yes.
- b. Yes.
- c. Please see my response to AMZ/USPS-T38-4a.

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AMZ/USPS-T38-20.

In Docket No. R2005-1, witness Bradley, USPS-T-14, modeled separately the delivery cost for “large” and “small” parcels. In developing your proposed rates for BPM and Media Mail, please explain what consideration you gave to the different delivery costs for small and large parcels, as recommended by witness Bradley in Docket No. R2005-1 and implemented in this docket by witness Kelley (USPS-T-30).

RESPONSE:

Please note that I am not familiar with the details of those cost studies. My rate design did not attempt to incorporate any separate information regarding unit costs of small versus large parcels, as I am not proposing separate rates for large and small parcels. It is my understanding that total BPM and Media Mail volumes and delivery costs are not calculated separately by size. In Witness Kelley’s response to AMZ/USPS-T30-1, he provided base year 2005 volumes and base year volume variable regular delivery time cost for “small” and “large” parcels delivered on city letter routes. Witness Kelley also stated, “The corresponding test year unit cost is unavailable.”

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AMZ/USPS-T38-21.

Please refer to your testimony at page 11, lines 4-7, where you state that “[t]he lower cost savings passthrough[s] for DSCF and DDU help mitigate unacceptable rate increases for non-dropshipped mail...”

- a. Had you used 100 percent passthroughs for DSCF and DDU, what would have been the percentage increase for non-dropshipped mail?
- b. Please explain what criteria you used to conclude that the percentage increase for non-dropshipped mail was unacceptable if passthroughs for DSCF and DDU entry were set at 100 percent.
- c. Under the circumstances of this docket, what do you consider to be the maximum acceptable rate increase for rate cells within BPM, including but not limited to non-dropshipped BPM.
- d. Under the circumstances of this docket, what do you consider to be the maximum acceptable rate increase for rate cells within (i) Media Mail, and (ii) Library Mail?
- e. If your maximum acceptable rate increase for BPM differs from your maximum rate increase for Media Mail, please explain why similar figures for acceptability do not apply to each subclass.

RESPONSE:

- a. I have not performed hypothetical calculations.
- b. See my response to part a. The rate design must balance numerous factors, and it is not clear that a 100 percent passthrough of the cited discounts would have resulted in a set of prices that would have met those objectives, and would have actually been proposed.
- c. I had no explicit maximum acceptable increase for rate cells within Bound Printed Matter. The rate design was an iterative process that led to the proposed rates. Given my evaluation of cost changes, the cost coverage proposed by witness O’Hara, and the rate changes, the proposed rates were deemed consistent with all the rate design objectives.

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d. I had no explicit maximum acceptable increase for rate cells within Media Mail and Library Mail. The rate design was an iterative process that led to the proposed rates. Given my evaluation of cost changes, the cost coverage proposed by witness O'Hara, and the rate changes, the proposed rates were deemed consistent with all the rate design objectives.

e. Not applicable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YEH
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AMZ/USPS-T38-22.

Your testimony at page 4 discusses how BPM evolved to include books. Your testimony at page 12 (II. 5-6) states that books also can be entered as Media Mail. At page 6, footnote 2, you explain the Postal Service's intention that BPM will effectively cease to exist as a retail offering. And at page 7 (II. 7-9), you note that in FY 2005 the Nonpresort volume of BPM was less than 5 percent of total volume, which implies that BPM has effectively become a low-cost bulk subclass (as it was intended to be when originally established). When items like (i) sound and video recordings, and (ii) computer readable media such as computer programs weigh less than 15 pounds and could be part of a bulk mailing, what is the rationale for excluding such items from BPM? Please explain fully, on the assumption that a 1.5 to 3 pound box containing either a video recording or computer readable media is indistinguishable in size or shape from a 1.5 to 3 pound box containing a book.

RESPONSE:

The Postal Service has not proposed changes to content eligibility for Bound Printed Matter or Media Mail in this case. Therefore I have not looked into the rate design repercussions of such a proposal and note that there would be issues raised that go beyond the scope of my testimony. Also, while I have not examined the issue, it is not evident that a box containing a book weighing 1.5 pounds would be the same size as a box of CDs weighing 1.5 pounds.