

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
THOMAS HARAUSH TO INTERROGATORIES OF VALPAK DIRECT MARKETING
SYSTEMS, INC. AND VALPAK DEALERS' ASSOCIATION, INC.,
(VP/USPS-T4-4(a), 4(c), 5)

The United States Postal Service hereby provides the responses of witness Thomas Harahush to the following interrogatories of the Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association, Inc.: VP/USPS-T4-4(a), 4(c), 5, filed on July 12, 2006. Interrogatories VP/USPS-T4-4(b), 6 were redirected to witness Riddle, USPS-T-5.

Each interrogatory is stated verbatim and followed by the response:

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF POSTAL SERVICE WITNESS THOMAS W. HARAUSH TO
INTERROGATORY POSED BY VALPAK

VP/USPS-T4-4. For the universe of flats delivered by the Postal Service, please provide the following information and indicate the source(s) used:

- a. What proportion or share of all flats is delivered by city carriers?
- b. What proportion or share of all flats is delivered by rural carriers?
- c. What proportion or share of all flats is delivered by highway contract carriers or to post office boxes and General Delivery?

RESPONSE:

- a. Using the volume total in USPS-LR-L-87 (2-Page Flats) as the universe of flats delivered by the Postal Service (54,055,989), and the domestic flats delivered by city carriers on letter routes from USPS-LR-L-11 (31,003,175), the proportion of flats delivered by city carriers on letter routes is 0.574.
- b. [Redirected to witness Riddle, USPS-T-5.]
- c. I am told that the proportion of all flats delivered by highway contract carriers and to post boxes and General Delivery is not available.

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VP/USPS-T4-5. Please refer to your testimony, page 5, Table 2, and the distribution of standard flats shown therein. Also, please refer to the Attachment to this interrogatory, which uses the USPS FY 2005 Billing Determinants. Columns (1)-(3) of the Attachment contain the FY 2005 volume of Standard flats as shown in the billing determinants. Column (4) of the Attachment shows the distribution of Standard flats in the billing determinants. Column (5) shows the billing determinants distribution of flats “normalized” — or reduced — to 0.7504, so as to be comparable to the corresponding “Proportion of Total” entries shown in your Table 2, column 1.

- a. Based on the Coefficient of Variation (“C.V.”) of ECR Saturation flats in your Table 2, what is the likelihood that ECR Saturation flats in fact represented 20.39 percent of all flats delivered by city carriers as shown in the Attachment?
- b. Based on the C.V. of ECR All Other flats in your Table 2, what is the likelihood that ECR All Other flats in fact represented 27.77 percent of all flats delivered by city carriers as shown in the Attachment?
- c. Based on the C.V. of Other Standard flats in your Table 2, what is the likelihood that Other Standard flats in fact represented 26.88 percent of all flats delivered by city carriers as shown in the Attachment?
- d. Please provide any explanation that you might have, or insights to offer, as to why the proportions of Standard flats volume in the billing determinants do not fall within the 95 percent confidence limits in your Table 2?

Attachment to VP/USPS-T4-5

(6)	(1)	(2)	(3)	(4)	(5)
	FY 2005 Billing Determinants			Billing Determinants	B.D. Flats
FY 2005 ECR FLATS CCSTS	Commercial	Nonprofit	Total	Flats Distribution	Distribution "Normalized"
Distribution					
Saturation 0.1966	10,646,187,084	460,054,962	11,106,242,046	27.17%	20.39%
Other ECR 0.2990	13,783,130,762	1,342,053,989	15,125,184,751	37.00%	27.77%
TOTAL ECR ECR LETTERS	24,429,317,846 7,537,106,525	1,802,108,951 1,254,884,596	26,231,426,797 8,791,991,121		
	31,966,424,371	3,056,993,547	35,023,417,918		
REGULAR FLATS 0.2548	12,573,206,223	2,071,763,007	14,644,969,230	35.83%	26.88%
REGULAR LETTERS	41,355,658,971	9,918,045,338	51,273,704,309		
0.7504	53,928,865,194	11,989,808,345	65,918,673,539	100.00%	75.04%

Source of column 6: USPS-T-4, page 5, Table 2. (See response to NAA/USPS-T4-1.)
Source of column 5: Column 4, normalized to 75.04%.

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RESPONSE:

- a. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for ECR Saturation of (0.1897, 0.2035). As such, the probability of a true value being greater than the upper limit of the estimated confidence interval shown in the table is 2.5 percent.
- b. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for ECR All Other of (0.2933, 0.3047). As such, the probability of a true value being less than the lower limit of the estimated confidence interval shown in the table is 2.5 percent.
- c. Table 2 on page 5 of my testimony shows a 95 percent two-sided confidence interval for Other Standard flats of (0.2506, 0.2590). As such, the probability of a true value being greater than the upper limit of the estimated confidence interval shown in the table is 2.5 percent.
- d. The estimates in Table 2 apply only to flats delivered by city carriers on letter routes. All other means of delivery of mail are excluded from the estimates in Table 2. For example, USPS-LR-L-11 describes city carrier routes that are excluded from the City Carrier Cost System. As shown in my response to interrogatory VP/USPS-T4-4(a), a large proportion of flat mail is not delivered by city carriers on letter routes.

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VP/USPS-T4-6. Please provide a table that (i) is similar in format to your Table 2, and (ii) shows the FY 2005 proportions of flat-shaped mail volume delivered by rural carriers.

RESPONSE:

[Redirected to witness Riddle, USPS-T-5.]