

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH, USPS-T-13,  
TO INTERROGATORY OF PARCEL SHIPPERS  
ASSOCIATION: PSA/USPS-T13-14  
(July 28, 2006)**

The United States Postal Service hereby provides the response of witness Smith (USPS-T-13) to the above-referenced interrogatory of Parcel Shippers Association, filed on July 14, 2006.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 28, 2006

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**PSA/USPS- T13-14.** Please refer to your response to PSA/USPS- T13-10(a) which states,

"The determination that 9 and 11-digit Postnet barcodes show up on parcel-rated Standard Regular pieces often enough to undermine the approach of using Postnet barcodes as an indicator of automation flats rates was based on observations at a BMC and calls to check on this at other BMCs. Postal Service personnel observed operations at BMCs and ascertained the presence or absence of Postnet barcodes on pieces that are clearly "parcels", Le., on pieces that exceed the 1 1/4 inch thickness or are containerized at entry such that they are clearly "parcels" and paid the RSS. Numerous instances of Standard Regular parcel shaped pieces with Postnet barcodes were observed. Other BMCs were contacted to verify these observations for other sites. Based on this brief examination, Postnet barcodes show up on parcel-rated pieces often enough to obviate using Postnet barcodes as indicators of Flats Automation rate pieces."

Please refer further to your response to PSA/USPS-T13-10(f) which states,

"An approximate estimate of the share of the Standard Regular mail processing parcel costs for pieces with Postnet barcodes for FY 2005 is 43 percent. This percentage estimate is based on using the cost weighted clerk and mail handler tallies for Standard Regular parcels and IPPS. As indicated in part a. of this response, pieces with Postnet barcodes will include both parcel rated and flats automation rate pieces."

Finally, please refer to Attachment 13 of your testimony where you adjust Standard Mail Regular parcel unit costs downward by 23.4% (1-.766) using the RPW/RPW-ODIS volume ratio.

(a) How often did "Postnet barcodes show up on parcel-rated pieces"? In particular, based upon the "brief examination" described in PSA/USPS-T13-10(a), what percentage of Standard Mail parcel-rated pieces had Postnet barcodes on them? Please explain fully.

(b) Do you believe that the difference between the 43 percent specified in PSA/USPS-T13-10(f) and the 23.4 percent adjustment made to Standard Regular parcel costs on Attachment 13 is entirely because there are Postnet barcodes on some pieces that exceed 1 W' in thickness? If so, please provide all data that support this conclusion. If not, please explain all other factors that may contribute to the discrepancy.

**RESPONSE:**

- a. I don't have any estimates of the percentage of Standard Regular parcel-rated pieces with Postnet barcodes from the observations at BMC or the

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other information gathered via phone calls to other BMCs. As I stated previously, such pieces were observed often enough to cast doubt on using Postnet barcodes as an indication of flats automation rate for Standard Regular parcel shaped pieces.

- b. I do not know what you mean by “exceed 1 W' in thickness.” If your question is meant to read “exceed 1 and 1/4<sup>th</sup> inch thickness,” then I would answer as follows.

The difference between the 23.4 percent and the 43 percent reflects processing costs for Standard Regular parcel-rated pieces that have a Postnet barcode. The 23.4 percent derived in my Attachment 13 represents the FY 2005 automation flats-rated share of ODIS-RPW sample-based Standard Regular parcel volumes. Since the IOCS defines piece shapes the same way as the ODIS-RPW sample-based system, 23.4 percent of the pieces which IOCS data collectors would regard as Standard Regular parcel shaped pieces should be automation flats-rated. This does not indicate the share of processing costs for the automation flats-rated pieces, but it provides important information in estimating the processing cost share.

As indicated in my response to PSA/USPS-T13-7, IOCS does not provide a cost estimate for flats-rated pieces in Standard Regular parcel mail. Therefore, we are unable to compute the share of costs for Standard Regular parcel shaped pieces which are flats-rated as compared to all Standard Regular parcel shaped pieces using IOCS. We use an

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alternative approach: if the cost per piece for parcel shaped flats-rated pieces is less (greater) than the cost per piece for parcel-rated pieces, then the cost share would be less (greater) than the 23.4 percent volume share. For this adjustment, it is a reasonable assumption that the processing cost per piece is identical for flats-rated and parcel-rated pieces. The resulting volume share of 23.4 percent is our best estimate of the processing cost share for automation flats-rated pieces, hence its use in the Standard Regular flats-parcel cost adjustment in Attachment 13.

As indicated in my response to part (a) of this interrogatory and in my responses to PSA/USPS-T13- 6 and 10, Standard Regular parcel-rated pieces often have Postnet barcodes. From that, I conclude that the difference between 23.4 and 43 percent would indeed reflect Standard Regular parcel shaped pieces, which are parcel-rated and also have a Postnet barcode.

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

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