

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 INTERROGATORIES OF PARCEL SHIPPERS ASSOCIATION:  
PSA/USPS-T4-1(b), REDIRECTED FROM WITNESS HARAHUSH  
(July 28, 2006)**

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

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Chief Counsel, Ratemaking

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July 28, 2006

**RESPONSE OF POSTAL SERVICE WITNESS MARC A. SMITH TO  
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REDIRECTED FROM WITNESS HARAUSH**

**PSA/USPS-T4-1.** Please refer to your response to POIR No.5, Question 16 which states, "There are other instances where Periodicals may show as flats on mailing statements and parcels in the data systems. For example, if a large but less than 3/4 inch flat is rolled prior to its receipt by the carrier so the carrier can handle the mailpiece more easily and efficiently, the flat would be counted as a parcel in the carrier systems because it is thicker than 3/4 inch. Furthermore, if a Periodical flat is on the top of a direct bundle given to a rural carrier, the data collector will record the bundle as a Periodical parcel, using the top-piece rule. Similarly in RCCS, rigid flats (including properly prepared "do not bend" mailpieces) that exceed five inches in height are recorded in the Parcel Compensation Category as well as other mailpieces that cannot fit in the case separation with other mail. In the CCCS, if a large Periodical flat is in the parcel hamper, a data collector will record that piece as a parcel when the carrier is using a two case system."

(a) Please discuss all instances where Standard Mail pieces that are less than 3/4 inch thick "may show as flats on mailing statements and parcels in the data systems."

(b) Does the Postal Service's method of transferring Standard Regular costs from parcels to flats account for the fact that some Standard Mail pieces that are less than 3/4 inch thick "may show as flats on mailing statements and parcels in the data systems." If so, please explain fully.

(c) Please discuss all instances where First-Class Mail pieces could be counted as flats by RPW and as parcels in the data systems.

**RESPONSE:**

- a. Answered by witness Harahush.
- b. The Postal Service's method for transferring Standard Regular costs from parcels to flats is for the purpose of addressing inconsistent parcel shape definitions between RPW by shape (USPS LR-L-87) and the cost systems in the development of processing and delivery unit costs. This method relies on the ratio of RPW by shape volumes (USPS LR-L-87) to ODIS-RPW sample based system volumes for Standard Regular parcels. The argument that I have made for using this method is that ODIS-RPW sample based system and the cost systems have the same definition of shape and therefore diverge from RPW by shape data in the same way.

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So to answer this question, we must examine if this argument holds for Standard mail pieces less than  $\frac{3}{4}$  inch thick which “may show as flats on mailing statements and parcels in the data systems” for each of the cost systems. We can then consider the implications of this examination for using the Postal Service’s method on processing unit costs and delivery unit costs.

IOCS is consistent with ODIS-RPW, since both systems use the same piece dimension rules for determining shape. If a piece is longer than 15 inches, but less than  $15\frac{3}{4}$  inches long, both systems treat such a piece as a parcel. When pieces are part of a direct bundle, rigid or included in a parcel hamper, both systems define such pieces as flats, based on piece dimensions. So there is no inconsistency between IOCS, ODIS-RPW and RPW by shape on such pieces.

In his response to part (a), witness Harahush identifies two instances where Standard Regular flats rated pieces that are less than  $\frac{3}{4}$ th inch thick could be regarded as parcels under CCCS and as flats under RPW by shape. The first is a flat-rated piece less than  $\frac{3}{4}$  inch thick and more than 15 and less than or equal to  $15\frac{3}{4}$  inches in length, CCCS would classify such a piece as a parcel. The second is a flat-rated piece less than  $\frac{3}{4}$  inch thick, but found in the parcel hamper of a carrier using a two case system, which CCCS would again classify as a parcel. The first of these would also be treated as a parcel by ODIS-RPW, and would

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accordingly be handled by the Postal Service adjustment. The latter, however, would not.

In the case of RCCS, as indicated in witness Harahush's response to part (a), Standard Regular flats rated pieces that are less than  $\frac{3}{4}$  inch thick could be identified as parcels under RCCS and as flats under RPW by shape for pieces that are the top piece of a direct bundle, and for pieces that are sufficiently rigid so as not to fit into the carrier case. In both cases there is a divergence between RCCS and ODIS-RPW. As a result, we can say that the Postal Service method of transferring costs from parcels to flats would not account for these pieces.

Given the above we can say that the Postal Service method does account for such pieces in mail processing costs and city carrier in-office costs, because these costs are based on IOCS.

So in the case of city carrier street and rural carrier costs, the Postal Service's method of transferring costs from parcels to flats, does not account for Standard Regular flats rated pieces that are less than  $\frac{3}{4}$ <sup>th</sup> inch thick that are:

- put into parcel hampers for delivery by city carriers using a two case system,
- are the top piece of a direct bundle for delivery by rural carriers or
- are sufficiently rigid so as not to fit into the carrier case given delivery by rural carriers.

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However, the frequency of these circumstances is not known, but is thought to be low, and therefore should not have a significant impact on the veracity of the Postal Service's method of transferring costs from parcels to flats.

- c. Answered by witness Harahush.

## 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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