

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS KELLEY  
(USPS-T-30) TO INTERROGATORIES OF THE APWU (APWU/USPS-T30-1-3, 5)  
(July 28, 2006)

The United States Postal Service hereby provides the response of witness Kelley to the following interrogatories of the APWU, filed on July 14, 2006: APWU/USPS-T30-1 – 3, 5. Question 4 was redirected to witness McCrery.

Each 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

**Response of Postal Service Witness Kelley to Interrogatories Posed by  
American Postal Workers Union, AFL-CIO**

**APWU/USPS-T30-1**

What are the primary drivers of differences in unit delivery costs?

**Response**

I will describe the primary factors that affect the unit delivery costs in a hierarchal fashion in order of importance from highest to lowest. First, the proportion of volume that is delivered by city or rural carriers affects the unit delivery costs. This is important because if a piece is not delivered by city or rural carriers, it will not incur cost segment 6, 7, or 10 costs, but will be included in the originating volume which is how unit delivery costs are derived. Secondly, the distribution of volume delivered between city and rural carriers also affects the unit delivery costs. The reason that this is important is that the costs are derived differently for pieces delivered on each route type. Thirdly, the proportion of mail that passes through DPS processing affects the unit delivery costs. On city routes, rate categories with a higher proportion of DPS volume usually incur lower casing costs, and on rural routes the unit cost for a DPS letter is lower than for a cased letter. Those three factors generally account for the differences in unit delivery costs.

While those factors provide a general description of factors that affect delivery costs, some rate categories incur a nontrivial amount of delivery costs that are rate category specific. Collection costs, for example, for First Class Single Piece letter shaped pieces is 2.6 cents per piece (out of total unit delivery cost of 7.7). However, First Class Presort and Standard Regular letters incur a trivial amount of collection costs.

**Response of Postal Service Witness Kelley to Interrogatories Posed by  
American Postal Workers Union, AFL-CIO**

**APWU/USPS-T30-2**

What is the average unit delivery cost in the base year and the test year of letter mail that has been delivery point sequenced?

**Response**

I was unsure to which rate categories your question referred. The unit costs for letters that pass through DPS processing will vary by rate category. I chose to derive the unit delivery costs for First Class Presort and Standard Regular DPS letters. The results are included in the table below.

<b>Rate Category</b>	<b>DPS %<sup>1</sup></b>	<b>BY05 Unit Cost (DPS Letter) (Cents)</b>	<b>TY08 Unit Cost (DPS Letter) (Cents)</b>
FC Presort	84.95%	2.864	3.127
Std Regular	81.56%	2.580	2.832

<sup>1</sup>DPS % derived from carrier systems

**Response of Postal Service Witness Kelley to Interrogatories Posed by  
American Postal Workers Union, AFL-CIO**

**APWU/USPS-T30-3**

What is the average unit delivery cost in the base year and in the test year of letter mail that has not been delivery point sequenced?

**Response**

I was unsure which rate categories your question referred. The unit costs for letters that do not pass through DPS processing will vary by rate category. I chose to derive the unit delivery costs for First Class Presort and Standard Regular Non-DPS letters. The results are included in the table below.

<b>Rate Category</b>	<b>Non-DPS %<sup>1</sup></b>	<b>BY05 Unit Cost (Non-DPS Letter) (Cents)</b>	<b>TY08 Unit Cost (Non-DPS Letter) (Cents)</b>
FC Presort	15.05%	9.271	10.018
Std Regular	18.44%	7.380	8.069

<sup>1</sup>DPS % derived from carrier systems

**Response of Postal Service Witness Kelley to Interrogatories Posed by  
American Postal Workers Union, AFL-CIO**

**APWU/USPS-T30-5**

Please confirm that all accountable or registered mail would fall in the single piece category.

**Response**

Not confirmed. Although I am not an expert on mail acceptance or classification, my understanding is that signature confirmation, for example, can be included with bulk rate Package Service pieces. Pieces with Signature Confirmation are considered to be accountables since a customer signature is required for delivery.

My understanding is that registered mail must have prepaid postage at single-piece First Class rates. The specific eligibility requirements for registered mail are contained in the DMM Section 503.2.2.2.

## 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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