

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 8  
(July 28, 2006)

The United States Postal Service hereby provides the responses to Presiding Officer's Information Request (POIR) No. 8, issued June 14, 2006. The following witnesses are sponsoring the identified responses to this POIR:

Witness Abdirahman	Question 15(d)
Witness Bozzo (USPS-T-12)	Questions 6-10
Witness Kelley (USPS-T-30)	Questions 13-14
Witness Loetscher	Question 1(c)
Witness McCrery	Question 15(a)-(c)
Witness Mitchum	Question 11
Witness Smith	Question 3
Witness Tang	Questions 1(a)-(b), 2
Witness Thress	Questions 4-5
Institutional Response	Question 12

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.  
Chief Counsel, Ratemaking

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Keith E. Weidner

475 L'Enfant Plaza West, S.W.  
Washington, D.C. 20260-1134  
(202) 268-6252; Fax -3084

RESPONSE OF POSTAL SERVICE WITNESS TANG  
TO POIR NO. 8, QUESTION 1(A)-(B)

1. The purpose of this question is to clarify witness Tang's responses to MPA/USPS-T35-1(f) and MPA/USPS-T35-10.
  - a. Please confirm that the reference in the response to MPA/USPS-T35-10 to "witness Loetscher's response to TW/USPS-T28-7(c-d)" should be "witness Loetscher's response to TW/USPS-T28-17(c-d)." If not confirmed, please explain fully.
  - b. Does the Postal Service anticipate assessing a container charge for Outside County Periodicals presented as:
    - i. containers other than sacks and pallets, and
    - ii. bed-loaded bundles?Please explain fully and provide the appropriate citations to the Postal Service filing.

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**RESPONSE:**

- a. Confirmed.
- b. Yes. The proposed container charge is an integral part of the rate structure. Its existence allows for other rate elements to be lower than they otherwise would be, so it must apply to all mailings. The proposed container rate would therefore apply to mailings comprised of uncontainerized bundles of Periodicals mail, as stated in my response to MH/USPS-T35-5(a). As described in MH/USPS-T35-5, the relatively rare situations in which pallets or sacks are not used require alternative means for assessing the charge. These means will be the subject of specific standards that will be published in the Federal Register for comment. For example, the cited response to MH/USPS-T35-5(a) provides one possible approach: when bundles of Periodicals mail are entered at DDU facilities, the container rate could be assessed for each 5-digit ZIP Code or 5-digit scheme that is serviced by the DDU.

RESPONSE OF POSTAL SERVICE WITNESS LOETSCHER  
TO POIR NO. 8, QUESTION 1(C)

1. The purpose of this question is to clarify witness Tang's responses to MPA/USPS-T35-1(f) and MPA/USPS-T35-10.  
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  - c. Please provide a breakdown of the Periodicals flats volume shown in Table 3 of USPS-LR-L-91 by the container types shown on page 8 of USPS-LR-L-91.

**RESPONSE:**

Please see the attached xls file - Question 1c Attachment.xls -- and the following attached pages.

**PERIODICALS MAIL FLATS MAIL CHARACTERISTICS DATA**

Prior to Distribution to Modeled Elements

<u>RATE CATEGORY</u>	<u>MACHINABILITY</u>	<u>CONTAINER PRESORT</u>	<u>PACKAGE PRESORT</u>	<u>PALLET VOLUME</u>	<u>SACK VOLUME</u>	<u>2 Ft Tray VOLUME</u>	<u>1 FT Tray VOLUME</u>	<u>EMM VOLUME</u>	<u>Other Tray VOLUME</u>	<u>Bedload/Bundle/Flat Tub VOLUME</u>	<u>Total VOLUME</u>
Nonauto Basic Presort Flats	AFSM100	Mixed ADC	Mixed ADC		14,453,804		780,017	15,628		1,687,654	16,937,103
Nonauto Basic Presort Flats	AFSM100	Mixed ADC	ADC		21,245,005		1,418,212	6,034			22,669,252
Nonauto Basic Presort Flats	AFSM100	Mixed ADC	3-Digit		13,542,642		1,028,204	204			14,571,050
Nonauto Basic Presort Flats	AFSM100	Mixed ADC	5-Digit		2,106,907		354,553				2,461,460
Nonauto Basic Presort Flats	AFSM100	Mixed ADC	Firm		4,392,998						4,392,998
Nonauto Basic Presort Flats	AFSM100	BMC/ADC	ADC	565,393	19,332,203					3,631,485	23,529,081
Nonauto Basic Presort Flats	AFSM100	BMC/ADC	3-Digit	32,843	24,660,150						24,692,993
Nonauto Basic Presort Flats	AFSM100	BMC/ADC	5-Digit		4,971,049						4,971,049
Nonauto Basic Presort Flats	AFSM100	BMC/ADC	Firm	615,375	5,553,487						6,168,863
Nonauto Basic Presort Flats	AFSM100	3-Digit	3-Digit	94,919	7,847,494						7,942,413
Nonauto Basic Presort Flats	AFSM100	3-Digit	5-Digit	14,764	1,264,725						1,279,488
Nonauto Basic Presort Flats	AFSM100	3-Digit	Firm	21,228	2,628,528						2,649,756
Nonauto Basic Presort Flats	AFSM100	5-Digit	5-Digit		6,563						6,563
Nonauto Basic Presort Flats	AFSM100	5-Digit	Firm		739,755						739,755
Nonauto Basic Presort Flats	AFSM100	Carrier Route	Firm		1,292,939						1,292,939
Nonauto Basic Presort Flats	UFSM1000	Mixed ADC	Mixed ADC		1,973,139						1,973,139
Nonauto Basic Presort Flats	UFSM1000	Mixed ADC	ADC		5,187,493						5,187,493
Nonauto Basic Presort Flats	UFSM1000	Mixed ADC	3-Digit		3,213,602	433,986					3,647,588
Nonauto Basic Presort Flats	UFSM1000	Mixed ADC	5-Digit		249,321						249,321
Nonauto Basic Presort Flats	UFSM1000	Mixed ADC	Firm		2,208,047						2,208,047
Nonauto Basic Presort Flats	UFSM1000	BMC/ADC	ADC	788,560	4,658,828					246,204	5,693,592
Nonauto Basic Presort Flats	UFSM1000	BMC/ADC	3-Digit	7,803	7,331,559	233,685					7,573,046
Nonauto Basic Presort Flats	UFSM1000	BMC/ADC	5-Digit	22,209	1,048,070						1,070,279
Nonauto Basic Presort Flats	UFSM1000	BMC/ADC	Firm	307,809	496,894						804,703
Nonauto Basic Presort Flats	UFSM1000	3-Digit	3-Digit	5,150	3,194,490						3,199,640
Nonauto Basic Presort Flats	UFSM1000	3-Digit	5-Digit	28,288	301,458						329,746
Nonauto Basic Presort Flats	UFSM1000	3-Digit	Firm	175,797	1,795,484						1,971,281
Nonauto Basic Presort Flats	UFSM1000	5-Digit	Firm	2,060							2,060
<b>Total</b>				<b>2,682,198</b>	<b>155,696,633</b>	<b>667,671</b>	<b>3,580,987</b>	<b>21,866</b>	<b>0</b>	<b>5,565,343</b>	<b>168,214,698</b>
Nonauto 3-Digit Presort Flats	AFSM100	Mixed ADC	3-Digit		5						5
Nonauto 3-Digit Presort Flats	AFSM100	Mixed ADC	Firm		1,229						1,229
Nonauto 3-Digit Presort Flats	AFSM100	BMC/ADC	3-Digit	11,102,351							11,102,351
Nonauto 3-Digit Presort Flats	AFSM100	BMC/ADC	Firm	2,777,333	1,401						2,778,734
Nonauto 3-Digit Presort Flats	AFSM100	3-Digit	3-Digit	12,471,788	66,537,025						79,008,812
Nonauto 3-Digit Presort Flats	AFSM100	3-Digit	5-Digit		8,541,997						8,541,997
Nonauto 3-Digit Presort Flats	AFSM100	3-Digit	Firm	1,471,879	4,655,289						6,127,168
Nonauto 3-Digit Presort Flats	AFSM100	5-Digit	Firm	6,941							6,941
Nonauto 3-Digit Presort Flats	AFSM100	Carrier Route	Firm		641						641
Nonauto 3-Digit Presort Flats	UFSM1000	Mixed ADC	3-Digit		815						815
Nonauto 3-Digit Presort Flats	UFSM1000	Mixed ADC	Firm		45						45
Nonauto 3-Digit Presort Flats	UFSM1000	BMC/ADC	3-Digit	8,449,736	2,478						8,452,213
Nonauto 3-Digit Presort Flats	UFSM1000	BMC/ADC	Firm	7,299,260	77						7,299,337
Nonauto 3-Digit Presort Flats	UFSM1000	3-Digit	3-Digit	7,272,767	30,810,614	1,199,849					39,283,229
Nonauto 3-Digit Presort Flats	UFSM1000	3-Digit	5-Digit		5,554,131						5,554,131
Nonauto 3-Digit Presort Flats	UFSM1000	3-Digit	Firm	2,225,748	1,884,723						4,110,472
Nonauto 3-Digit Presort Flats	UFSM1000	5-Digit	Firm	2,203							2,203
<b>Total</b>				<b>53,080,005</b>	<b>117,990,468</b>	<b>1,199,849</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>172,270,322</b>

**PERIODICALS MAIL FLATS MAIL CHARACTERISTICS DATA**

Prior to Distribution to Modeled Elements

<u>RATE CATEGORY</u>	<u>MACHINABILITY</u>	<u>CONTAINER PRESORT</u>	<u>PACKAGE PRESORT</u>	<u>PALLET VOLUME</u>	<u>SACK VOLUME</u>	<u>2 Ft Tray VOLUME</u>	<u>1 FT Tray VOLUME</u>	<u>EMM VOLUME</u>	<u>Other Tray VOLUME</u>	<u>Bedload/Bundle/Flat Tub VOLUME</u>	<u>Total VOLUME</u>
Nonauto 5-Digit Presort Flats	AFSM100	Mixed ADC	Firm		10						10
Nonauto 5-Digit Presort Flats	AFSM100	BMC/ADC	5-Digit	17,054,915							17,054,915
Nonauto 5-Digit Presort Flats	AFSM100	BMC/ADC	Firm	1,303,019	69						1,303,088
Nonauto 5-Digit Presort Flats	AFSM100	3-Digit	5-Digit	75,379,020	8,833						75,387,853
Nonauto 5-Digit Presort Flats	AFSM100	3-Digit	Firm	3,866,678	9,101						3,875,779
Nonauto 5-Digit Presort Flats	AFSM100	5-Digit	5-Digit	1,969,038	33,985,309				1,835,395		37,789,742
Nonauto 5-Digit Presort Flats	AFSM100	5-Digit	Firm	145,393	677,206						822,599
Nonauto 5-Digit Presort Flats	AFSM100	Carrier Route	5-Digit		2,571,998						2,571,998
Nonauto 5-Digit Presort Flats	AFSM100	Carrier Route	Firm		19,358						19,358
Nonauto 5-Digit Presort Flats	UFSM1000	Mixed ADC	5-Digit		10						10
Nonauto 5-Digit Presort Flats	UFSM1000	BMC/ADC	5-Digit	10,889,553	40						10,889,593
Nonauto 5-Digit Presort Flats	UFSM1000	BMC/ADC	Firm	2,462,414							2,462,414
Nonauto 5-Digit Presort Flats	UFSM1000	3-Digit	3-Digit		117						117
Nonauto 5-Digit Presort Flats	UFSM1000	3-Digit	5-Digit	35,268,222	417						35,268,638
Nonauto 5-Digit Presort Flats	UFSM1000	3-Digit	Firm	2,520,037	22						2,520,059
Nonauto 5-Digit Presort Flats	UFSM1000	5-Digit	5-Digit	708,582	31,997,121	486,144					33,191,847
Nonauto 5-Digit Presort Flats	UFSM1000	5-Digit	Firm	108,574	277,430						386,005
Nonauto 5-Digit Presort Flats	UFSM1000	Carrier Route	5-Digit		42,393						42,393
Nonauto 5-Digit Presort Flats	UFSM1000	Carrier Route	Firm		332						332
<b>Total</b>				<b>151,675,443</b>	<b>69,589,766</b>	<b>486,144</b>	<b>0</b>	<b>0</b>	<b>1,835,395</b>	<b>0</b>	<b>223,586,748</b>
Nonauto Carrier Route Presort Flats	AFSM100	BMC/ADC	5-Digit	5							5
Nonauto Carrier Route Presort Flats	AFSM100	BMC/ADC	Carrier Route	103,969,465							103,969,465
Nonauto Carrier Route Presort Flats	AFSM100	BMC/ADC	Firm	750,238							750,238
Nonauto Carrier Route Presort Flats	AFSM100	3-Digit	Carrier Route	2,507,951,353							2,507,951,353
Nonauto Carrier Route Presort Flats	AFSM100	3-Digit	Firm	8,427,819							8,427,819
Nonauto Carrier Route Presort Flats	AFSM100	5-Digit	Carrier Route	658,907,523	13,589,566						672,497,090
Nonauto Carrier Route Presort Flats	AFSM100	5-Digit	Firm	2,468,053	301,971						2,770,024
Nonauto Carrier Route Presort Flats	AFSM100	Carrier Route	Carrier Route		156,382,769					5,121,231	161,504,000
Nonauto Carrier Route Presort Flats	AFSM100	Carrier Route	Firm		808,087						808,087
Nonauto Carrier Route Presort Flats	UFSM1000	BMC/ADC	Carrier Route	21,126,666							21,126,666
Nonauto Carrier Route Presort Flats	UFSM1000	BMC/ADC	Firm	202,775							202,775
Nonauto Carrier Route Presort Flats	UFSM1000	3-Digit	Carrier Route	337,135,601							337,135,601
Nonauto Carrier Route Presort Flats	UFSM1000	3-Digit	Firm	863,691							863,691
Nonauto Carrier Route Presort Flats	UFSM1000	5-Digit	Carrier Route	76,151,826	2,031,406						78,183,231
Nonauto Carrier Route Presort Flats	UFSM1000	5-Digit	Firm	172,460	11,598						184,057
Nonauto Carrier Route Presort Flats	UFSM1000	Carrier Route	Carrier Route		42,257,378					3,239,282	45,496,659
Nonauto Carrier Route Presort Flats	UFSM1000	Carrier Route	Firm		104,808						104,808
<b>Total</b>				<b>3,718,127,474</b>	<b>215,487,582</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,360,513</b>	<b>3,941,975,569</b>

**PERIODICALS MAIL FLATS MAIL CHARACTERISTICS DATA**

Prior to Distribution to Modeled Elements

<u>RATE CATEGORY</u>	<u>MACHINABILITY</u>	<u>CONTAINER PRESORT</u>	<u>PACKAGE PRESORT</u>	<u>PALLET VOLUME</u>	<u>SACK VOLUME</u>	<u>2 Ft Tray VOLUME</u>	<u>1 FT Tray VOLUME</u>	<u>EMM VOLUME</u>	<u>Other Tray VOLUME</u>	<u>Bedload/Bundle/Flat Tub VOLUME</u>	<u>Total VOLUME</u>
Auto Basic Presort Flats	AFSM100	Mixed ADC	Mixed ADC		9,010,963						9,010,963
Auto Basic Presort Flats	AFSM100	Mixed ADC	ADC		47,759,357						47,759,357
Auto Basic Presort Flats	AFSM100	Mixed ADC	3-Digit		1,411,871						1,411,871
Auto Basic Presort Flats	AFSM100	Mixed ADC	Firm		848						848
Auto Basic Presort Flats	AFSM100	BMC/ADC	ADC	1,796,727	64,843,110						66,639,838
Auto Basic Presort Flats	AFSM100	BMC/ADC	Firm	170	1,032						1,202
Auto Basic Presort Flats	AFSM100	3-Digit	3-Digit		257						257
Auto Basic Presort Flats	AFSM100	3-Digit	5-Digit	36,737	2,222						38,958
Auto Basic Presort Flats	AFSM100	3-Digit	Firm	253	9						261
Auto Basic Presort Flats	AFSM100	5-Digit	5-Digit	21	14,397						14,419
Auto Basic Presort Flats	AFSM100	5-Digit	Firm		43						43
Auto Basic Presort Flats	UFSM1000	Mixed ADC	Mixed ADC		2,876,353						2,876,353
Auto Basic Presort Flats	UFSM1000	Mixed ADC	ADC		13,087,664						13,087,664
Auto Basic Presort Flats	UFSM1000	Mixed ADC	3-Digit		78,714						78,714
Auto Basic Presort Flats	UFSM1000	Mixed ADC	5-Digit		236						236
Auto Basic Presort Flats	UFSM1000	Mixed ADC	Firm		55						55
Auto Basic Presort Flats	UFSM1000	BMC/ADC	ADC	600,316	9,821,721						10,422,038
Auto Basic Presort Flats	UFSM1000	BMC/ADC	5-Digit		1,678						1,678
Auto Basic Presort Flats	UFSM1000	BMC/ADC	Firm	88	141						229
Auto Basic Presort Flats	UFSM1000	3-Digit	5-Digit		22,777						22,777
<b>Total</b>				<b>2,434,312</b>	<b>148,933,448</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>151,367,760</b>
Auto 3-Digit Presort Flats	AFSM100	Mixed ADC	3-Digit		32,068,824						32,068,824
Auto 3-Digit Presort Flats	AFSM100	BMC/ADC	3-Digit	159,637,695	117,031,760						276,669,455
Auto 3-Digit Presort Flats	AFSM100	3-Digit	3-Digit	118,338,251	415,699,814						534,038,065
Auto 3-Digit Presort Flats	UFSM1000	Mixed ADC	3-Digit		5,571,732						5,571,732
Auto 3-Digit Presort Flats	UFSM1000	BMC/ADC	3-Digit	43,049,316	19,344,706						62,394,022
Auto 3-Digit Presort Flats	UFSM1000	3-Digit	3-Digit	32,285,711	94,993,854						127,279,566
<b>Total</b>				<b>353,310,974</b>	<b>684,710,690</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,038,021,663</b>
Auto 5-Digit Presort Flats	AFSM100	Mixed ADC	5-Digit		6,739,811						6,739,811
Auto 5-Digit Presort Flats	AFSM100	BMC/ADC	5-Digit	361,871,007	20,256,906						382,127,913
Auto 5-Digit Presort Flats	AFSM100	3-Digit	5-Digit	1,286,606,304	249,208,314						1,535,814,618
Auto 5-Digit Presort Flats	AFSM100	5-Digit	5-Digit	9,620,360	151,323,285				1,870,518		162,814,163
Auto 5-Digit Presort Flats	AFSM100	5-Digit	Firm		165,737						165,737
Auto 5-Digit Presort Flats	AFSM100	Carrier Route	5-Digit		6,029,770						6,029,770
Auto 5-Digit Presort Flats	UFSM1000	Mixed ADC	5-Digit		1,188,293						1,188,293
Auto 5-Digit Presort Flats	UFSM1000	BMC/ADC	5-Digit	74,224,702	2,495,965						76,720,667
Auto 5-Digit Presort Flats	UFSM1000	3-Digit	5-Digit	242,922,957	65,454,767						308,377,724
Auto 5-Digit Presort Flats	UFSM1000	5-Digit	5-Digit	2,699,671	27,656,986				1,536,922		31,893,579
Auto 5-Digit Presort Flats	UFSM1000	Carrier Route	5-Digit		10,961						10,961
Auto 5-Digit Presort Flats	UFSM1000	Carrier Route	Firm		2,101						2,101
<b>Total</b>				<b>1,977,945,000</b>	<b>530,532,895</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,407,440</b>	<b>2,511,885,335</b>

RESPONSE OF POSTAL SERVICE WITNESS TANG  
TO POIR NO. 8, QUESTION 2

2. Please clarify whether presortation is a requirement of Periodicals mailers.  
Please provide citations to support your response.

**RESPONSE:**

All Periodicals rate mail must be presorted. See DMM 707.18 through 707.26 and 705 for the applicable mail preparation standards.

RESPONSE OF POSTAL SERVICE WITNESS SMITH  
TO POIR NO. 8, QUESTION 3

3. The capital factors for components 1208 and 1219 in the Test Year Before Rates and After Rates files found in USPS-LR-L-6, *TY2008BR\_FacilSpace\_Equip\_UseTY\_USPS\_ForFiling.XLS* and *TY2008AR\_FacilSpace\_Equip\_UseTY\_USPS\_ForFiling.XLS* do not match the factors for those components calculated in the file *Ty08Equipment.XLS* which is found in USPS-LR-L-54. Please reconcile the differences.

**RESPONSE:**

The factors in *Ty08Equipment.xls*, found in USPS-LR-L-54, are correct. Non-final results were inadvertently provided to witness Waterbury.

Please note that the small shift of 17,032 from component 1208 to 1219 (given the total of 100,000,000 for all components), has a very small impact on the distribution of equipment depreciation costs for the test year. This shift between components will result \$257,601 being distributed using the General and Logistics Non-BMC distribution of component 1219, rather than the FSM distribution of component 1208. The impact on any class or subclass from this different distribution will be only a fraction of the \$257,601.



RESPONSE OF POSTAL SERVICE WITNESS THRESS  
TO POIR NO. 8, QUESTION 4

4. Please discuss the factors considered in the demand analysis of Classroom Rate Periodicals. Specifically,
- a. did you test the impact of primary and secondary school population trends on the combined demand equation for Nonprofit and Classroom Periodicals?
  - b. Were any factors identified that contributed exclusively to the fluctuations in Classroom volume over the period 1970 to 2005?

**RESPONSE:**

No separate analysis of Classroom Rate Periodicals was attempted. It constitutes less than 4 percent of the combined volume under consideration.

- a. No.
- b. No.

RESPONSE OF POSTAL SERVICE WITNESS THRESS  
TO POIR NO. 8, QUESTION 5

5. Please refer to your testimony where you state, at USPS-T-7 at 206: “In addition to affecting the price of newspapers and magazines by being incorporated into subscription rates, the price charged by the Postal Service will also affect the demand for Periodicals mail directly by affecting publishers’ decisions over how to deliver their Periodicals. For example, the delivery requirements of many weekly newspapers can be satisfied by either mail or private delivery.”
- a. Has the Postal Service conducted any studies since the beginning of calendar year 2004 related to the feasibility of private delivery as an alternative to weekly newspaper delivery via the Postal Service? If so, please describe the findings.
  - b. Do you consider the second sentence in quoted passage to apply equally to all copies of weekly newspapers, or primarily to those intended for delivery within the county of publication? Please explain or clarify.

**RESPONSE:**

- a. Not that I am aware of.
- b. As a purely hypothetical, I would guess that the delivery requirements of many weekly newspapers can be satisfied by either mail or private delivery regardless of the county of publication. Whether this sentence applies equally to all weekly newspapers is ultimately an empirical question which I have not investigated and for which I do not have the available data which would be necessary to investigate it. On the other hand, the general point I am making might also apply to certain daily newspapers with a national subscriber base, some copies of which are delivered by mail, and some by private delivery.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 6

6. The TSP output logs in USPS-LR-L-56 identify two input data files, MODS9505Q and REG9505Q. Please identify the location of these files in Postal Service submissions. If not yet submitted, please provide them.

**RESPONSE:**

MODS9505Q and REG9505Q are TSP databanks corresponding to the vv9905.xls, add9905.xls, and vvscreens.xls files provided in USPS-LR-L-56. Since TSP databanks are binary files that are not portable across computing platforms, the Microsoft Excel files were provided as a portable form of the data.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 7

7. Please provide runs of the following USPS-LR-L-56 programs using the input data file named vv9905.xls that is also contained in USPS-LR-L-56 and provide the output logs:

- varmp\_tpf\_OTHAUTO\_by2005.tsp
- varmp\_tpf\_BCSSINGLE\_by2005.tsp
- varmp\_tpf\_AFSM\_by2005.tsp
- varmp\_pp\_MANPARPRI\_by2005.tsp
- varmp\_man\_LETFLT\_by2005.tsp

**RESPONSE:**

The requested material is provided in a supplement to USPS-LR-L-56.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 8

8. Please confirm that the cost pool variability factors in the table below are the output produced by running the econometric models provided in USPS-LR-L-56 (TSP programs listed in question 2), but using different data files, namely, MODS9505Q, REG9505Q, and vv9905.xls.

<b>Variability factors from identical TSP programs/models using different datasets (one dataset provided in USPS-LR-L-56)</b>				
<b>Docket No. R2006-1, T-12, LR-L-56</b>				
<b>Witness Bozzo</b>				
<b>Cost Pool</b>	<b>Variability factors extracted from the TSP output log (provided with LR-56 and proposed in R2006-1) using the datasets MODS9505Q and REG9505Q (not provided with LR-56)</b>	<b>Variability factors extracted from the same TSP program (provided with LR-56) runs using the dataset vv9905.xls (provided with LR-56)</b>		
<b>D/BCS*</b>	0.88	n/a		
<b>D/BCS Incoming</b>	0.823191	0.723109		
<b>D/BCS Outgoing</b>	1.0562	1.0594		
<b>OCR/</b>	0.782744	0.8892		
<b>FSM/1000</b>	0.718714	0.849835		
<b>AFSM100</b>	0.99295	0.876713		
<b>SPBS</b>	0.866437	0.843385		
<b>Manual flats</b>	0.936682	0.942339		
<b>Manual letters</b>	0.892369	0.841883		
<b>Manual parcels</b>	0.797821	1.42003		
<b>Manual Priority</b>	0.751602	1.38123		
<b>Cancellation</b>	0.50476	0.535176		
*Weighted average of D/BCS Incoming and D/BCS Outgoing variabilities				
Note: Programs from columns (a) and (b) are varmp_tpf_OTHAUTO_by2005.tsp, varmp_tpf_BCSSINGLE_by2005.tsp, varmp_tpf_AFSM_by2005.tsp, varmp_pp_MANPARPRI_by2005.tsp, varmp_man_LETFLT_by2005.tsp				

**RESPONSE:**

Confirmed that the left column of results is based on the USPS-LR-L-56 output files.

Not confirmed that the right column represents correct output from the vv9905.xls

dataset. To provide correct results from vv9905.xls, minor modifications to the USPS-

LR-L-56 programs are necessary; the modifications are described in the supplement to

USPS-LR-L-56. The correct elasticities using vv9905.xls, provided in the supplement to

USPS-LR-L-56 (please see also the response to Presiding Officer's Information

Request No. 8, Item 7), are identical to those originally provided in USPS-LR-L-56.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 9

9. The three data files, MODS9505Q, REG9505Q, and vv9905.xls, all appear to involve 368 firms for 44 time periods. Please explain how they differ.

**RESPONSE:**

The vv9905.xls file is structured with 368 sites and 28 time periods, yielding the 10,304 observations in the file. The spreadsheets provided in USPS-LR-L-56 eliminate unused time period positions prior to FY 1999 that are in the TSP databank versions of the files, but otherwise contain the same data as the TSP databanks.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 10

10. Consider the following elasticity (variability factor) formula extracted from the varmp\_tpf\_OTHAUTO-by2005.tsp program in USPS-LR-L-56:

$$\begin{aligned} m00vv\_ = & (b1 + e1 + e2 + e3 + e4) + 2*(b11*Intph.00m + \\ & e11*Int._100m + e22*Int._200m + e33*Int._300m + \\ & e44*Int._400m) + b13*ttrend.00m + b14*Indpt.00m \\ & + b15*Incap.00m + b16*Inw.00m \end{aligned}$$

Please provide a complete example illustrating how to calculate an "m00vv\_." elasticity. Include all necessary parameters and mean variable values. Identify the points in the program where the means and the natural logs of the variables used to calculate the elasticity are taken.

**RESPONSE:**

The calculation for the OCR operation (group 04 in the TSP code) is provided in Attachment 1 to this response.

In the program listing from the USPS-LR-L-56 supplement, file varmp\_tpf\_OTHAUTO\_by2005pc.out, the FY 2005 means are taken in the commands numbered 217-219 and the natural logs of the means are computed in the commands numbered 228-235.

RESPONSE OF POSTAL SERVICE WITNESS BOZZO (USPS-T-12)  
TO POIR NO. 8, QUESTION 10

Attachment 1, Response to POIR No. 8, Item 10

Derivation of FE/GLS Output Elasticity for OCR Cost Pool

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Parameter	Regressor	FE/GLS Estimate	FY 2005 Mean Value	Natural Log of Mean	Component of Calculation	Description
b1	CLNTPH04	2.02142000			2.021420	C3
e1	CLNT04_1	0.03208400			0.032084	C3
e2	CLNT04_2	0.36154500			0.361545	C3
e3	CLNT04_3	0.42642700			-0.426427	C3
e4	CLNT04_4	0.24780300			-0.247803	C3
b11	CLNTPH04SQ	0.03366700	26153.70959	10.171746	-0.684904	2*C3*C5
e11	CLNT04_1S	0.00175669	27032.31599	10.204788	0.035853	2*C3*C5
e22	CLNT04_2S	0.01420100	27794.97843	10.232611	-0.290627	2*C3*C5
e33	CLNT04_3S	0.02564200	28438.47577	10.255498	0.525943	2*C3*C5
e44	CLNT04_4S	0.01788300	29114.34162	10.278986	0.367638	2*C3*C5
b13	CLNTPH_TTREND04	0.00294773	26.50047	n/a	-0.078116	C3*C4
b14	CLNT_D04	0.08087700	469271.0952	13.058936	-1.056168	C3*C5
b15	CLNTPH_LNCAP04	0.01770800	275929.7673	12.527902	0.221844	C3*C5
b16	CLNTPH_LNW04	0.06282600	1.00755	0.007522	0.000473	C3*C5
				OCR Elasticity	0.782755	Sum of above lines

0.782744 Result reported in USPS-LR-L-159  
(Difference due to rounding of  
0.000011 coefficients in printed output log)



RESPONSE OF POSTAL SERVICE WITNESS MITCHUM  
TO POIR NO. 8, QUESTION 11

11. Please refer to worksheet "WP-3: Certificate of Mailing" in the revised version of USPS-LR-L-124. The volume data for TYAR Standard Regular and TYAR Standard Nonprofit (in cells U20 and U22 respectively) do not match the volume data in "WP-15: Volume Input Data." Please explain the discrepancy.

**RESPONSE:**

The volume data in WP-15 are correct. The deviation was due to two hard-coded cells in WP-3: Certificate of Mailing, and errata will be filed shortly. The correction results in an increase in revenue of roughly \$3,000.

RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO POIR NO. 8, QUESTION 12

12. On its web site, the Postal Service identifies significant changes to Bound Printed Matter (BPM) stating that “to simplify retail transactions, [Single-Piece] BPM would no longer be available at retail.” See [http://www.usps.com/ratecase/ps\\_faqs.htm](http://www.usps.com/ratecase/ps_faqs.htm)). In her testimony, witness Yeh indicates that “the Postal Service intends to amend its regulations to require that [Single-Piece BPM, which the witness proposes to rename Nonpresort] be paid either by customer-generated postage meter or permit imprint.” USPS-T-38 at 6, n.2. Witness Yeh states that this change is designed “to reduce the complexity of retail transactions for customers and to simplify window service operations[.]” *ibid.* With respect to the proposal to restrict eligibility to Single-Piece (Nonpresort) BPM, please answer the following questions. In response, please provide the underlying data that support the answer, including identifying the relevant witness(es) who addresses the issue in his/her testimony.
- a. Identify the TYAR cost savings associated with this proposal.
  - b. Identify TYAR volume effects of this proposal for each affected subclass, i.e., BPM, Parcel Post, Media Mail, and Priority Mail.
  - c. Identify TYAR revenue effects of this proposal for each affected subclass, i.e., BPM, Parcel Post, Media Mail, and Priority Mail.

**RESPONSE:**

Given the volume involved, the Postal Service estimates that any savings, volume, and revenue effects would be minimal and would have no material effect . No studies were conducted, in light of the minimal volume involved and the difficulty of forecasting to what extent that minimal volume would be entered as other types of mail.

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 13

13. In his response to interrogatory VP/USPS-T30-17, witness Kelley states “USPS-LR-L-67 provides a reasonable estimate of the delivery costs for DALs ... . However, I do not think that the DAL costs in USPS-LR-L-67 can be mechanistically applied to estimate the change in total costs that would be anticipated for a substantial reduction in DALs (e.g., 50 percent, or 100 percent).”
- a. Please confirm the Cost Segment 7 DAL delivery costs developed in tab “10.DALs” of workbook UDCModel.USPS in USPS-LR-L-67 are the volume variable costs of ECR Saturation Letters (DPSed, cased, or sequenced) combined with the volume variable cost of the host piece. If not confirmed, please explain fully.
  - b. Please confirm the Cost Segment 6 DAL delivery costs developed in tab “CARMMCasing” of workbook UDCInputs.USPS in USPS-LR-L-67 are volume variable casing costs calculated directly from IOCS tallies of DALs. If not confirmed, please explain fully.
  - c. In her testimony, Witness Coombs states “Experience in today’s delivery units suggests that the sequenced flat-shaped pieces will be taken directly to the street in most cases. This tends to validate the belief that the handling of these flat-shaped pieces is unaffected by the presence or absence of a DAL.” USPS-T-44 at 13. Please state all significant operational differences in the treatment of Saturation Flats based on the presence or absence of an address. Further, please state and explain any measurable cost differences caused by these operational differences.
  - d. Please confirm that compensation for rural carriers does not vary based on whether Saturation Flats have an address or not. If not confirmed, please explain fully.

**RESPONSE:**

a. Not confirmed. This spreadsheet develops segment 7 costs for Non-DAL ECR Saturation letters, DALs, Attached Label Saturation Flats, and Host Piece Flats separately. These costs feed directly into the 7.1 Delivery Activity costs in worksheet ‘11SummaryBY’ within UDCModel.USPS.xls. The table below illustrates the mapping between the two worksheets within UDCModel.USPS.xls.

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 13

<b>ECR Saturation</b>	<b>Worksheet '10DALs' - Volume Variable Segment 7 Costs</b>	<b>Worksheet '11SummaryBY' - Volume Variable Segment 7 Costs</b>
Non-DAL Attached Label Letters	Cell D33 (\$49,009)	Cell H77
DALs	Cell D32 (\$42,001)	Cell H79
Attached Label Saturation Flats	Cell D41 (\$50,814)	Cell H78
Host Piece Saturation Flats	Cell D40 (\$37,751)	Cell H80

b. Partially confirmed. The costs are the volume variable costs. They are the sum of the volume variable casing costs from 'direct' tallies of DALs along the portion of 'mixed mail' tallies that are distributed to DALs. My understanding is that 'mixed mail' tallies are distributed to DALs based the 'direct' tallies. The costs from 'direct' and 'mixed mail' tallies can be distinguished within USPS-LR-L-67 in workbook

'CARMM05\_KLDetail\_3RGrpCasingGeneral.xls column F titled 'Source'. Source 'K' represents costs from 'direct' tallies and 'L' represents costs from 'mixed mail' tallies.

c. For city delivery carriers, the primary operational options for treatment of a Saturation Flats mailing are to take it directly to the street, or handle it in the office. If handled in the office, it could be cased or collated with another mailing. From an operational perspective, whether the Saturation flat is addressed or not, the mailing should be taken directly to the street, if possible.

It is generally believed that unaddressed pieces are much less likely to be handled in the office than addressed pieces. This notion is converted into an assumption within USPS-LR-L-67 that unaddressed Saturation Flats are taken directly

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 13

to the street. Addressed Saturation Flats, however, can be either cased or taken directly to the street. USPS-LR-L-67 estimates that approximately sixty-eight percent of addressed Saturation Flats are taken directly to the street, and the remaining thirty-two percent are either cased or collated. Combining that estimate with the assumption that all unaddressed Saturation Flats are taken directly to the street results in the estimate that approximately eighty-three percent of Saturation Flats are taken directly to the street. This percentage supports the statement in the testimony of witness Coombs that “experience in today’s delivery units suggests that the sequenced flat-shaped pieces will be taken to the street in most cases.”

The cost implications of the two handling options for Saturation Flats are discernable. Cased Saturation Flats not only incur nontrivial in-office costs but also derive their segment 7 costs from the regular ‘flats’ cost pool and, therefore, have the same segment 7 unit cost as other non-Saturation Flats. Flats taken directly to the street, on the other hand, receive a trivial amount of in-office costs and derive their segment 7 costs from the ‘sequenced’ cost pool which has a lower regular delivery unit cost than the ‘flats’ cost pool (1.98 cents for regular flats and 1.33 cents for sequenced flats). Therefore, Saturation Flats that are taken directly to the street have a lower unit delivery cost than cased Saturation Flats.

d. Not confirmed. If the piece is unaddressed or has a simplified address then the Saturation Flat is counted as a Boxholder, which is one compensation category. If addressed, it is counted as a Flat, which is a different, higher compensation category.

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 14

14. In his response to interrogatory VP/USPS-T30-17, witness Kelley further states “the issue with respect to total costs would be the cost consequences of handling the associated flats (i.e., the no longer-host pieces). Depending on how the remaining flat pieces are handled, additional costs might or might not offset some portion of the savings obtained by not having to handle the DALs.”
- a. Does USPS-LR-L-67 take into account changes in delivery costs related to changes in mail processing and delivery operations?
  - b. If not, please provide rationale for the reservation in defining the DAL costs based on concern for future operations.

**RESPONSE:**

- a. Not specifically. USPS-LR-L-67 disaggregates the subclass delivery costs from the CRA into delivery costs for relevant rate categories and is not intended to address cost changes relating to potential changes in mail processing or delivery operations. If subclass costs are estimated to change between the base year and the test year because of anticipated changes in mail process or delivery operations that result in identified cost reduction programs or other programs in the rollforward process, then USPS-LR-L-67 would likewise reflect those differences in the test year unit delivery costs at the rate category level.
- b. The cost implications of some changes in mail makeup can be analyzed in a relatively easy manner because the makeup change is unlikely to have a material impact on volumes or operational processes. In contrast, those cases in which volume changes or operational changes are likely to take place require a more complex analysis before the cost consequences can be estimated.

I believe that a substantial decrease in the number of DALs falls into the second, more complex, category, even if it would not affect the RPW estimate of Saturation Flats volume. I am not confident that two or three billion DALs (from a current base year estimate of approximately four billion) could be eliminated from the delivery network

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 14

without some material possibility of such reduction causing unanticipated changes in operational processes for city carriers and compensation implications for rural carriers.

For city routes, my reservation in defining DAL costs under this scenario is due to the fact that the delivery costs in an environment with a substantially reduced number of DALs have not been studied. I have no reason to disagree with the statement from witness Coombs cited in POIR No. 8 question 13 (c) "that the handling of flat-shaped pieces is unaffected by the presence or absence of a DAL." However, my comfort level in mechanistically applying the savings from the current volume to a new lower figure decreases relative to the proportion of DALs removed from the city delivery network. If, for example, five percent of DALs were eliminated from city routes, then I would be reasonably comfortable in translating that volume decrease into savings by simply multiplying the city DAL costs by five percent. But, on the other hand, if fifty percent of DALs are removed from the city delivery network, I would be much less comfortable estimating the delivery savings from such a reduction by multiplying the total DAL costs by fifty percent. It may not be prudent to adopt such an estimate without further study that analyzed the specific cost consequences of city delivery with a dramatically reduced number of DALs. Studies often reveal unexpected results that defy seemingly sound preconceived notions. In short, the city carrier cost savings that may result from a significant reduction in the number of DALs may warrant further study before assuming that they can satisfactorily be estimated by multiplying the costs of all DALs by the proportion anticipated to be removed from the delivery network. On the other hand, in the absence of any such study, I agree that the above-described assumption provides the most reasonable starting point for analysis of city carrier costs.

RESPONSE OF POSTAL SERVICE WITNESS KELLEY (USPS-T-30)  
TO POIR NO. 8, QUESTION 14

On rural routes, my reservation is much more concrete. Having the address on the DAL allows the corresponding host-piece to travel as a 'Boxholder'. In the current environment, if the DAL were eliminated and the host-piece becomes addressed, the host piece would then move into a different compensation category, and the net cost savings would clearly be less than the direct savings from the elimination of the DAL.



RESPONSE OF POSTAL SERVICE WITNESS MCCRERY  
TO POIR NO. 8, QUESTION 15(A)-(C)

15. Please refer to USPS-T-32, pages 20-21, where the rationale for the proposal to eliminate the automation carrier route presort discount for First-Class letters is presented. Witness Taufique states that the “current and future processing of letter-shaped mail requires delivery point sequencing of mail at destinating Processing and Distribution Centers.” He further explains that “fewer delivery units have Carrier Sequence Bar Code Sorter (CSBCS) equipment” and “[w]hen CSBCS equipment is removed from the remaining delivery units, all of this mail will be merged in the 5-Digit Automation rate category[.]”
- a. How many delivery units had CSBCS equipment in the base year?
  - b. How many delivery units are projected to have CSBCS equipment in the test year?
  - c. Does the Postal Service currently have a plan to remove all CSBCS equipment from delivery units? If so, what are the estimated starting and completion dates for the planned phase-out of this equipment?

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**RESPONSE:**

- a. Approximately 950 delivery units had CSBCS machines in the base year.
- b. The number of delivery units that will still have CSBCS machines in the test year is not known, but it is expected to be fewer than in the base year. This is a result of the recent and ongoing effort in the field to deemphasize their use by transferring the incoming secondary distribution to DBCS equipment, due to the increased productivity resulting from the switch. However, these decisions are made at the area/district level, so a future national impact is not known. It should also be noted that the proposal to eliminate the automation carrier route presort discount is consistent with the effort to standardize and streamline operations and reduce the number of less-than-full trays.
- c. The Postal Service is in the early stages of procuring an additional allotment of DBCS equipment that would, in part, replace the remaining CSBCS machines in operational use. If the program is approved, deployment would likely begin after the test year.

RESPONSE OF POSTAL SERVICE WITNESS ABDIRAHMAN  
TO POIR NO. 8, QUESTION 15(D)

15. Please refer to USPS-T-32, pages 20-21, where the rationale for the proposal to eliminate the automation carrier route presort discount for First-Class letters is presented. Witness Taufique states that the “current and future processing of letter-shaped mail requires delivery point sequencing of mail at destinating Processing and Distribution Centers.” He further explains that “fewer delivery units have Carrier Sequence Bar Code Sorter (CSBCS) equipment” and “[w]hen CSBCS equipment is removed from the remaining delivery units, all of this mail will be merged in the 5-Digit Automation rate category[.]”

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- d. USPS-LR-L-141 (which utilizes PRC cost attribution methodology) shows an estimated savings of 1.237 cents per piece for First-Class automation carrier route presort letters as compared to automation 5-digit presort letters at CSBCS/manual sites. Please present a parallel estimate of savings for automation carrier route presort letters using the Postal Service’s proposed costing methodology.

**RESPONSE:**

- (d) The parallel estimate of savings for automation carrier route presort letters using the Postal Service’s costing methodology is 1.125 cents per piece.