

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes

Docket No. R2006-1

PRESIDING OFFICER'S INFORMATION REQUEST NO. 21

(Issued October 18, 2006)

The United States Postal Service is requested to provide the information described below to assist in developing a record for the consideration of the Postal Service's request for a recommended decision on proposed rates, fees and classifications. To facilitate inclusion of the required material in the evidentiary record, the Postal Service is to have a witness attest to the accuracy of the answers and be prepared to explain to the extent necessary the basis for the answers. The answers are to be provided by November 1, 2006.

1. The response to PSA/USPS-T36-5 states,

[t]he unit cost estimates for ECR parcels in USPS-LR-L-84 were significantly higher than the unit cost estimates developed for Standard Mail Regular parcels. Given the higher average degree of preparation typical of ECR parcels, lower unit costs would normally have been expected. In light of this anomalous relationship and the extraordinarily high estimated values for the unit costs, I determined that the USPS-LR-L-84 unit cost estimates for ECR parcels were not suitable to use in developing ECR parcel pricing.

In response to Presiding Officer's Information Request No. 10, Question 2, witness Smith provided an adjustment that lowered the unit parcel cost for Standard ECR from \$24.50 to \$0.2787. This adjustment is consistent with the adjustment made for Standard Regular mail and results in a unit cost for ECR

parcels that is lower than the unit cost for Standard Regular parcels. In explaining this adjustment witness Smith said,

[e]ven without knowing the source for the cost anomaly, one can support the use of this method to adjust Standard ECR parcel costs on the basis that ODIS-RPW and the cost systems are both sample based and have the same definition of shape and, therefore, both may well diverge from RPW by shape data in a parallel way.

It appears that the same logic would apply for the various density levels within Standard ECR parcels and that a similar adjustment could be applied to the unit costs in USPS-LR-L-84 and USPS-LR-L-107 (PRC version) for both Basic and High Density/Saturation parcels. Please provide revised versions of USPS-LR-L-84 and USPS-LR-L-107 that reflect the appropriate adjustment. If an appropriate adjustment cannot be made, please explain fully.

2. Please refer to USPS-LR-L-88, file 'AppenF.xls,' worksheet 'App F, Table 6.' Does the avoided handling cost per-pound figure in cell F12 represent the difference between the per-pound cost of Zone 1&2 mail and DADC mail? Similarly, does the avoided handling cost per-pound figure in cell F14 represent the difference between the per-pound cost of Zone 1&2 mail and DSCF mail? Does the avoided handling cost per-pound figure in cell F16 represent the difference between the per-pound cost of Zone 1&2 mail and DDU mail? If not, please explain in detail what each of these figures represents.

George Omas
Presiding Officer