

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

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**POSTAL RATE AND FEE CHANGES, 2006**

**DOCKET NO. R2006-1**

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**RESPONSES OF WITNESS ANGELIDES TO  
INTERROGATORIES OF AMAZON.COM INC.  
AMZ/POSTCOM-T5-1-4**

The Association for Postal Commerce and the Mailing and Fulfillment Service Association (herein collectively "PostCom") hereby provide the responses of Witness Angelides to Postal Service interrogatories USPS/POSTCOM-T5-1 - 4, filed October 4, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

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OF AMAZON.COM INC.

**AMZ/POSTCOM-T5-1.** Please refer to your testimony at page 6, line 10, where you state “[t]herefore, I have prepared a rate design with a cost coverage of 100.2 percent.” Also, please refer to footnote 1 on page 3.

- a. Is your proposed coverage of 100.2 percent the coverage for Media Mail alone, or is it a combined coverage for Media Mail and Library Mail?
- b. If your proposed coverage of 100.2 percent is for Media Mail alone, and, if pursuant to 39 U.S.C. § 3626(a)(7), rates for Library Mail are set at 5 percent less than the rates for Media Mail, what is the coverage for Library Mail that would result from your recommended coverage and rate design for Media Mail?
- c. If your proposed coverage of 100.2 percent is a combined coverage for Media Mail and Library Mail, what is your proposed coverage for Library Mail alone and Media Mail alone?

**RESPONSE:**

- a. Combined.
- b. Not applicable.
- c. To my knowledge, costs for Media Mail and Library Mail are not available separately. Therefore the cost coverage can only be calculated for the combined products.

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**AMZ/POSTCOM-T5-2.** Please refer to your testimony at page 8, lines 9-11, where you state “[b]ecause the prices are lower than in the USPS proposal, I used witness Thress’s volume model at the new price to generate a new volume for Media Mail.”

a. What are the new Test Year Before Rates and Test Year After Rates volumes that would result from your proposed rates for Media Mail? Please show how you generated those new volumes.

b. If you computed separate Test Year Before Rates and Test Year After Rates volumes for presort Media Mail and single piece Media Mail, please show each separately.

c. Did you estimate a new Test Year Before Rates and/or Test Year After Rates volume for Library Mail? If so, please state what volumes you generated, and show their derivation.

**RESPONSE:**

a. I did not perform a new calculation of Test Year Before Rates volume.

The Test Year Before Rates volume for Media Mail is shown in witness Yeh's testimony.

The Test Year After Rates volume for Media Mail is 155,193,879. This volume was determined by the use of witness Thress's volume forecasting model. Please refer to Library Reference Postcom-LR-3, especially "MM and BPM Summary.xls", "Inputs" worksheet, and "vf-ar.xls".

b. I did not calculate these volumes separately.

c. I did not perform a new calculation of Test Year Before Rates volume for Library Mail. The Test Year Before Rates volume for Library Mail is shown in witness Yeh's testimony.

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The Test Year After Rates volume for Library Mail is 12,337,294. This volume was determined by the use of witness Thress's volume forecasting model. Please refer to Library Reference Postcom-LR-3, especially "MM and BPM Summary.xls", "Inputs" worksheet, and "vf-ar.xls".

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**AMZ/POSTCOM-T5-3.** Please refer to your testimony at page 8 and the footnote to Table 4, which states that “[s]ingle piece remains billed in single pound increments at a rate of \$0.34 per pound for Media Mail and \$0.32 per pound for Library Mail.”

- a. Is it correct to infer from this footnote that you propose to extend half-pound pricing (up to 5 pounds) to presort Media Mail, but not to single piece MediaMail? If this is not a correct interpretation of the footnote, please explain.
- b. If your answer to preceding part a is affirmative, please refer to your testimony at page 3, lines 5-6, and also to page 6, lines 12-15, and explain why you did not indicate in either place that your proposed half-pound pricing does not apply to the 80 percent of Media Mail that is entered at single piece rates.
- c. If your answer to preceding part a is affirmative, please explain why you do not recommend half-pound pricing for single piece Media Mail.

**RESPONSE:**

- a. That is correct.
- b. On page 3, lines 5-6, I am introducing the concept of half pound pricing, but not discussing specifics. On page 6, lines 13, I indicate that the half-pound increments are for "presorted parcels."
- c. I have recommended retaining full-pound pricing for single piece Media Mail for simplicity and to minimize changes to the Postal Service's rate proposals.  
  
Full-pound pricing increments make the pricing structure of Media Mail easier to understand than if there were half-pound increments for some pounds. This simplicity is of more concern for single piece transactions, which often occur at the retail counter, than for presorted transactions.

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In addition, I have recommended maintaining full-pound pricing for single piece Media Mail to keep the rate structure for single piece consistent with the Postal Service's proposal.

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**AMZ/POSTCOM-T5-4.** Please refer to your testimony at page 8, lines 11-13, where you state “[b]ased on the new volume, I used witness Yeh’s model to calculate revenue, cost, and cost coverage.” (Footnote omitted.)

a. What are the Test Year Before Rates and Test Year After Rates revenues that you computed for Media Mail?

b. If you computed revenues separately for presort and single piece Media Mail, please provide such revenues for each, and show how you computed postage pounds for all Media Mail subject to half-pound pricing under your proposed rate design. If you did not compute revenues separately, please state why not, in view of your proposed half-pound pricing for presort Media Mail.

**RESPONSE:**

a. I did not perform a new calculation of Test Year Before Rates revenue.

The Test Year Before Rates revenue for Media Mail is shown in witness Yeh's testimony.

The Test Year After Rates revenue for Media Mail and Library Mail is \$390,814,371.

b. I did not calculate these revenues directly. I calculated the Test Year After Rates ("TYAR") average price for all pieces shipped via Media Mail, and multiplied by TYAR volume for all pieces shipped via Media Mail to determine TYAR revenue. I determined TYAR average price using witness Yeh's model, modified to account for half-pound pricing increments for presorted parcels, as discussed below.

However, these revenues may be calculated from my Library References. Please refer to the "MM Rev 8-10-06 R2006\_USPS-LR-L-41 - Rate design half pound.xls" workbook, "TYAR" worksheet. TYAR Revenue for presorted Media

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Mail and Library Mail is \$60,749,195. TYAR Revenue for single piece Media Mail and Library Mail is \$329,522,677.

For the calculation of postage pounds, please refer to Library reference Postcom-LR-3, "MM Rev 8-10-06 R2006\_USPS-LR-L-41 - Rate design half pound.xls" workbook, "Average weight", "half pound reduction", and "Calc of first half lb percent" worksheets.

The "Average weight" worksheet calculates the average weight of a presorted parcel for the weight bands of "Not more than 1.0 pound", "More than 1.0 pound , not more than 7.0 pounds", and "More than 7.0 pounds", based on numbers from witness Yeh's model. The "Calc of first half lb percent" worksheet calculates the percentage of parcels shipped by Media Mail with an odd number of postal half pounds. For example, a parcel that weighs 1.2 pounds has 3 half pounds, and a parcel that weighs 1.7 pounds has 4 half pounds. The "half pound reduction" worksheet calculates the percentage of packages in each half pound weight band between 1.0 and 7.0 pounds, and determines the ratio of half pounds to full pounds for use in the average price calculation.

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**AMZ/POSTCOM-T5-5.** Please refer to your testimony at page 12, lines 9-11, where you state “[b]ecause the prices are lower than in the USPS proposal, I used witness Thress’s volume model at the new price to generate a new volume for BPM.”

- a. What are the new Test Year Before Rates and Test Year After Rates volumes that would result from your proposed rates for BPM? Please show how you generated those new volumes.
- b. If you computed separate Test Year Before Rates and Test Year After Rates volumes for presort BPM and single piece BPM, please show each separately.

**RESPONSE:**

a. I did not perform a new calculation of Test Year Before Rates volume. The Test Year Before Rates volume for BPM is shown in witness Yeh's testimony.

The Test Year After Rates volume for BPM is 658,858,244. This volume was determined by the use of witness Thress's volume forecasting model. Please refer to Library Reference Postcom-LR-3, especially "MM and BPM Summary.xls", "Inputs" worksheet, and "vf-ar.xls".

b. These volumes were not calculated separately.

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**AMZ/POSTCOM-T5-6.** Please refer to your testimony at page 12, lines 8-9, where you state “[t]o calculate the new cost coverage, I used witness Yeh’s model, modified as described above....” Please describe fully how you used witness Yeh’s model to calculate your new cost coverage for BPM.

**RESPONSE:**

I used witness Yeh's model to determine revenue per piece (average price). I used witness Thress's volume forecasting model to determine the TYAR volume based on this average price. Revenue is the average price times the volume.

Witness Yeh's model provides costs for before rates volumes and after rates volumes. I used these cost to calculate an estimate of the per unit cost of BPM for each volume, and applied this estimate to the TYAR volume under the new price to calculate Costs. Please refer to "MM and BPM Summary.xls", "BPM Costs" worksheet.

I then calculated the cost coverage from the Revenue and Cost described above.