

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

COMPETITIVE PRODUCT PRICES
PARCEL SELECT
PARCEL SELECT CONTRACT 1

Docket No. MC2011-16

COMPETITIVE PRODUCT PRICES
PARCEL SELECT CONTRACT 1 (MC2011-16)
NEGOTIATED SERVICE AGREEMENT

Docket No. CP2011-53

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO CHAIRMAN'S
INFORMATION REQUEST NO. 1**
(January 14, 2011)

Chairman's Information Request (CHIR) No. 1 was issued on January 7, 2011. The request sought answers no later than January 14, 2011. Attached are the Postal Service's responses to Questions 1 and 2.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

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January 14, 2011

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. Given the weight limit for each parcel under the instant contract, please provide the rationale for using only Standard Mail Parcel unit costs for the financial analysis of the instant Parcel Select contract rather than only Parcel Select unit costs or both sets of unit costs, as applicable.

RESPONSE:

The rationale is that the box sizes in the instant contract range from [REDACTED], and thus are physically more similar to Standard Mail parcels than Parcel Select parcels. Standard Parcels and NFMs average 0.05 ft³, and machinable Standard Parcels average 0.08 ft³. The Parcel Select average cube ([REDACTED]) is more than [REDACTED] times larger than the largest of the box sizes under the instant contract. The piece size has a much greater impact than piece weight on ground transportation, delivery and mail processing costs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**

2. Please provide a financial analysis of the contract using only FY 2010 Parcel Select unit costs or using both Standard Mail Parcel and Parcel Select unit costs, as applicable.

RESPONSE:

A financial analysis using only FY2010 Parcel Select costs is provided. The mail processing and transportation costs have been adjusted to reflect the much smaller piece size for the instant contract compared to Parcel Select. These nevertheless overstate the true costs as the Parcel Select delivery costs have not been adjusted for the smaller mailpiece size. The resulting cost coverage is [REDACTED], but this understates the true coverage.

Also included is the original financial analysis updated with FY2010 Standard Mail Parcel costs, which provides a more accurate estimate of the cost. The resulting cost coverage is [REDACTED].