

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
INTERROGATORIES OF AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
REDIRECTED FROM WITNESS ABDIRAHMAN
(APWU/USPS-T22-7, 14(b)-(h))
(July 28, 2006)

The United States Postal Service hereby provides its responses to the above-listed interrogatories of the ABA-NAPM, filed on July 14, 2006. These interrogatories were redirected from witness Abdirahman.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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ABA-NAPM/USPS-T-22-7.

(a) Can firms in the private sector purchase or lease machines with DIOSS technology, or does the Postal Service have an exclusive right to purchase and use this technology?

(b) If firms in the private sector can purchase or lease machines with DIOSS technology, to what degree is that technology in operation in the private sector?

Response:

(a) The answer is yes and no, respectively.

(b) Information to provide an empirical answer is not available. Firms that produce versions of this technology include Siemens, Bowe, Bell+Howell, NEC, Toshiba and Elsag.

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ABA-NAPM/USPS-T-22-14. USPS witness McCrery states on page 11 of his testimony, lines 11-16, as follows: The availability of extra sort bins on the DBCS equipment provides the ability to process a significant portion of the letters to the 5-digit ZIP Code level on the incoming primary sort scheme even when the scheme has been established to sort the entire service area of the plant, a service area likely containing multiple 3-digit ZIP Codes. Therefore, a pure 3-digit letter tray versus a multiple 3-digit letter tray can have similar value in terms of the reduction in pieces handling. Yet, from LR-L-141, page 9, the weighted cents per piece for an AADC letter processed at an Incoming MMP is 1.326 cents, and at an Incoming SCF/Primary the weighted cents per piece for that letter is 0.26 cents. On page 11, the 3-digit presort letter avoids any processing at an incoming MMP and the incoming primary sort at an SCF costs a weighted average of 1.225 cents per piece

- (a) Is the phenomenon witness McCrery is noting true for all plants and service areas or only those selected for upgrades in bin capacity?
- (b) Please reconcile witness McCrery's statement above with the mail processing cost differences noted above between AADC and 3-digit presort for the incoming primary sort, namely a difference of 0.361 cents $((.986+.340+.188+.072)-(.958+.267))$, as shown in LR-L-41, page 9.
- (c) In your existing mail flow models, have you accounted at all for expanded bin capacities for DBCS? If so, please specify where and how. If not, why have you not accounted for any such changes?
- (d) If witness McCrery's statement implies a change in your mail flow models as a result of adding extra bins to DBCS and changing, for example, the number of piece handlings caused by fewer passes for a given mailpiece, please indicate specifically how your model would have to change and how the relative costs above would change, if at all.
- (e) Apart from network re-alignment plans, once the full deployment of DBCS with expanded bin capacity is completed, does the Postal Service envision dropping the 3-digit presort requirement in the DMM in favor of an AADC requirement?
- (f) Apart from network re-alignment plans, once the full deployment of DBCS with expanded bin capacity is completed, does the Postal Service envision eliminating the 3-digit presort rate?
- (g) If your answer to part (e) was in the affirmative, has the Postal Service contemplated the financial impact on the private sector mail processing industry from such a change?
- (h) If your answer to part (e) was in the affirmative, please explain fully whether such a change would, or would not, involve avoiding fewer costs for the Postal Service in mail processing than at are avoided at present. -

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Response:

- (a) Please see the response of witness McCrery.
- (b) The cost differences are due to the fact that the AADC presort mail pieces are assumed to be entered at the incoming MMP operation while the 3-Digit presort mail piece is assumed to be entered at the incoming SCF/primary operation.
- (c) To the extent to which additional bin capacity may have affected the density tables since they were last updated is unknown, given that the cards/letter density tables were last updated in 1999. It is possible that they have not changed that much because the machines were already fairly large (some with over 200 bins). Furthermore, to the extent that the additional bin capacities reduce our costs, this would show up in cost savings included in the rollforward and would be reflected in the sense that the model costs are compared to rollforward CRA's cost by shape
- (d) The density tables would change such that more mail would be finalized to a finer level in "upstream" operations.
- (e) No.
- (f) No.
- (g) N/A
- (h) N/A