

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

POSTAL RATE AND FEE CHANGES

Docket No. R2006-1

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS BOZZO,
USPS-T-46, TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION:
MMA/USPS-T22-53 (c) and (d), REDIRECTED FROM WITNESS ABDIRAHMAN
(August 9, 2006)**

The United States Postal Service hereby provides the response of witness Bozzo (USPS-T-46) to the above-referenced interrogatory, filed on July 26, 2006, and redirected from witness Abdirahman.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 9, 2006

Response of United States Postal Service Witness Bozzo (USPS-T-46)
 To Follow-Up Interrogatory of Major Mailers Association
 Redirected from Witness Abdirahman (USPS-T-22)

MMA/USPS-T22-53

Please refer to your revised responses to Interrogatory MMA/USPS-T22-2 (E) and (F), 3 (C), (E) and (F), and 4 (D) and (E). In each of those answers you claim that CRA cost changes from R2005-1 TY 2006 and R2006-1 TY 2008 cannot be properly compared because “there was a change to the method used to collect and assign IOCS tallies.” On the other hand you did confirm the percentages shown a table that is reproduced for your convenience below:

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	11.42	12.02	5.3%	7.16	7.66	7.0%
Presorted	4.12	4.59	11.4%	2.41	2.80	16.2%
Standard Presorted	4.34	4.06	-6.5%	2.53	2.40	-5.1%

- A. Is it your position that, even though the CRA data indicates that total unit costs have increased much more for First-Class presorted letters (11.4%) than for First-Class single piece letters (5.3%), actual costs probably did not increase by those amounts? Please explain your answer.
- B. Is it your position that, even though the CRA data indicates that proportional unit costs have increased much more for First-Class presorted letters (16.2%) than for First-Class single piece letters (7.0%), actual costs probably did not increase by those amounts? Please explain your answer.
- C. Please explain how a change to the method used to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B).
- D. Please explain where in any Postal Service witness testimony it is specifically explained how the change in the method to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B) and provide citations to the specific portions of such testimony, if any.

Response.

a.-b. Answered by witness Abdirahman (USPS-T-22).

c.-d. Development of costs for categories within the First-Class Mail and Standard Mail depends on the accurate recording of class and of the rate markings associated with the subclasses and other rate categories. See USPS-T-46, Section II.D (pages 13-15). As noted at USPS-T-46, page

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38-39 (referenced in my response to MMA/USPS-T22-2d, redirected from witness Abdirahman), identifying the class of mail correctly but not rate markings tends to result in overestimation of costs for less-presorted mail categories. Consequently, increasing the accuracy with which rate markings are identified “shifts” costs to categories requiring additional rate markings for subclass identification. For Standard Mail, the effect is to reduce measured costs for Standard Regular and to increase measured costs for Standard ECR. In First-Class Mail, the same phenomenon would tend to increase costs for presorted First-Class Mail relative to Single Piece First-Class Mail. Table 6 of USPS-T-46 indicates that there may be such a shift for First-Class Mail, but the effect is small relative to the sampling variation of the data.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Frank R. Heselton

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with Section 12 of the Rules of Practice and Procedure.

Frank R. Heselton

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