

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

POSTAL RATE AND FEE CHANGES, 2006

Docket No. R2006-1

RESPONSES OF UNITED STATES POSTAL SERVICE TO FOLLOW-UP
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-25A-F, 26-27)

The United States Postal Service hereby files its responses to the above-listed interrogatories, filed on July 31, 2006.

Each interrogatory is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking

Nan K. McKenzie
Attorney

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-3083; Fax -6187
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RESPONSE OF UNITED STATES POSTAL SERVICE TO INTERROGATORY
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MMA/USPS-25.

Please refer to your response to R2005-1 Interrogatory MMA/USPS-11 and your responses to R2006-1 Interrogatories MMA/USPS-2-6. In response to R2005-1 Interrogatory MMA/USPS-11, you indicated that, in FY 2004, 38 PostalOne! mailers sent out approximately 9.4 billion First-Class workshared letters using permits held in their own names. In response to R2006-1 Interrogatory MMA/USPS-2, you indicate that, according to the CBCIS data system, in FY 2005 35 PostalOne! mailers sent out approximately 25.3 billion First-Class workshared letters using permits held in their own names. In response to Interrogatory MMA/USPS-5 you report that, in FY 2005, the largest 100 First Class workshare letter permit numbers entered approximately 20.2 billion First Class workshare letters at PostalOne! equipped offices. In response to Interrogatory MMA/USPS-6 you report that, in FY 2005, the largest 200 First Class workshare letter permit numbers entered approximately 26.7 billion First Class workshare letters at PostalOne! equipped offices. In response to Interrogatory MMA/USPS-5, you report that in FY 2005 32,016 unique permit numbers were used to submit First Class workshare letter mailings at PostalOne! equipped offices.

- A. Was the figure of 9.4 billion First Class workshare letters reported for FY 2004 in your response to R2005-1 Interrogatory MMA/USPS-11 also obtained from the CBCIS data system that you used to obtain the 25.3 billion First Class workshare letters reported for FY 2005 in your response to R2006-1 Interrogatory MMA/USPS-2? If not, please use the CBCIS data system to provide the volume of First Class workshare letters sent out in FY 2004 by the 38 PostalOne! mailers using permits held in their own names (i.e. the figure that is comparable to the 25.3 billion figure reported for FY 2005).
- B. What do you mean by "PostalOne! equipped offices"? Is this meant to indicate that the PostalOne! equipped offices are mailers' facilities or that they are Postal Service facilities? If PostalOne! equipped offices refers to Postal Service facilities, please indicate how many offices are equipped with PostalOne!, the type of offices that are equipped with PostalOne!, and the number of offices that are not equipped with PostalOne! In addition, please describe the function(s) that are performed with PostalOne! when a Postal Service office is equipped with PostalOne!
- C. Does your response to Interrogatory MMA/USPS- 5 mean that the 35 PostalOne! customers used 32,016 unique permit numbers to mail the 25.3 billion First Class workshare letters you report in response to Interrogatory USPS/MMA-2? If not, please explain what the 32,016 unique permits number is meant to signify.
- D. In response to R2005-1 Interrogatory MMA/USPS-2 (H), you reported that, in R2005-1 BY 2004, more than 90,100 First-Class workshare mailers entered such mail. What is the comparable number of First Class workshare mailers in R2006-1 BY 2005?
- E. Please explain how in one year, from R2005-1 BY 2004 to R2006-1 BY 2005, the volume of First Class workshared letters sent out by Postal One! mailers using permits in their own names grew from 9.4 billion to 25.3

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- billion letters, while the number of Postal One! mailers declined from 38 to 35.
- F. Does the decline in the number of Postal One! mailers, from 38 to 35, indicate that (1) 3 PostalOne! mailers withdrew from the PostalOne! program or (2) although new mailers joined the PostalOne! program, more mailers withdrew (resulting in a net decline of 3 mailers) or (3) the number of participating PostalOne! declined due to business combinations between two or more existing PostalOne! mailers or (4) some combination of these changes? Please explain your answer.
- G. With respect to the first 100 largest First Class workshare letter permits that accounted for 20.2 billion letters in FY 2005, please provide the number of such permits that were held by the 35 PostalOne! mailers in their own names and the total volumes of First Class workshare letters mailed under those permits during FY 2005.
- H. With respect to the second 100 largest First Class workshare letter permits that accounted for an additional 6.5 billion letters in FY 2005, please provide the number of such permits that were held by the 35 PostalOne! mailers in their own names and the total volume of First Class workshare letters mailed under those permits during FY 2005.

RESPONSE:

PostalOne! is a suite of business capabilities that allows the Postal Service to collaborate with its business customers. The *PostalOne!* suite includes, among other services, the *PostalOne!* Shipping Systems, the Electronic Verification System (e-VS), Automated Drop Shipment Scheduling Services and the *PostalOne!* mailing statement database that has replaced the PERMIT system.

- A. The Postal Service has better information today than it did before regarding which customers have which permits, especially where large enterprises operate under multiple names and permits. The numbers in the previous docket also were obtained from a different source. The volume of 9.4 billion First-Class letters reported for FY2004 was compiled using an older grouping of customer sites with fewer locations than the one used more recently. Use of the more recent groupings and with FY2004 shows a First-Class letters volume of 23,555,564,525, and card volume of 179,375,571.

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- B. Look first to the initial paragraph of this response. With respect to the context in which responses to interrogatories MMA/USPS-4-6/R2006-1 were formulated, *PostalOne!* equipped facilities are offices that have the ability to input mailing statement data into the *PostalOne!* mailing statement database. At the end of FY 2005 2,654 finance numbers entered mailing statement data into this database. Each finance number may consist of multiple facilities.
- C. No, assuming the question refers to the response to MMA/USPS-4/R2006-1. As stated in the response to MMA/USPS-2, 35 customers were using *PostalOne!* Shipping Systems which is one of several components of *PostalOne!* Thousands of additional Postal Service customers were entering mail at facilities equipped with the ability to enter postage statement information into the *PostalOne!* mailing statement database. In FY 2005 32,016 unique permit numbers submitted First Class workshared mail at these facilities.

In order to be eligible to mail at discounted rates, mailers are required to pay a presort mailing fee and for each fee paid the mailer is assigned a permit number at the office where the mail is verified and accepted. When a mailing is presented, the permit number used to enter the mailing is recorded on the postage statement. The data in the *PostalOne!* mailing statement database is organized by permit number of the entity entering the mailing. Mailers often maintain multiple permit numbers for various reasons including the needs to enter mail at multiple offices and to facilitate accounting.

The Postal Service does not maintain a comprehensive mapping of permit numbers to business entity. In some cases, customers using one of the centralized payment options will identify all the permit numbers used by the business entity. This allows the Postal Service to aggregate across permit numbers to calculate mailing statistics for a particular business

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- entity. However the Postal Service does not require business entities to report all permit numbers they use to enter mailings.
- D. In the Docket No. R2005-1 response to MMA/USPS-2(H), the reported 90,100 First-Class workshare mailers was based upon enumeration of all permit numbers associated with mailings of First-Class workshare mail at facilities equipped to put postage statement information into the *PostalOne!* mailing statement database. This count includes the permit numbers used to submit the mail and the permit numbers of customers that used a mailing service provider to prepare and enter their mail. In FY 2005, the comparable number of permit numbers associated with mailings entered at discounted First-Class rates is 107,641.
- E. As reflected in the response to part (A), above, the number to compare with 25.3 billion pieces is instead 23,555,564,525.
- F. The decline in the number of First-Class mailers participating in the PostalOne! Transportation Management program is a combination of mailers withdrawing from the PostalOne! Transportation Management program and consolidation within the First-Class Mailer industry.

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MMA/USPS-26

Please refer to your responses to Interrogatories MMA/USPS-14 -19. It appears from your answers that you agree that unit costs (using the Commission's attributable cost methodology) for R2005-1 TY 2006 and R2006-1 TY 2008 can be computed in the manner that MMA had done, but that you do not agree that the changes in those unit costs accurately measure the "real" cost changes. Furthermore, you refuse to accept those derived unit cost comparisons because of "a change to the method used to collect and assign IOCS tallies."

- A. Does the preface to this interrogatory accurately reflect your position? If not, please explain exactly what your position is at it relates to the accuracy of the R2005-1 TY 2006 and R2006-1 TY 2008 CRA cost data.
- B. Please provide the most accurate mail processing unit costs for R2005-1 TY 2006 and R2006-1 TY2008, as well as the percent changes for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters (4). If your derived unit costs would be the same as MMA's, please state so. . If your derived unit costs differ from those derived by MMA, please provide the derivation of each unit cost together with the sources for all your computations. If you believe that it is not possible to derive accurate unit costs with which to compute the cost increase between R2005-1 BY 2004 and R2006-1 BY 2005 that you can accept, please state so.
- C. Please provide the most accurate "proportional" mail processing unit costs (as defined according to your cost pool classifications provided in this case) for R2005-1 TY 2006 and R2006-1 TY2008, as well as the percent changes for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters. If your derived unit costs would be the same as MMA's, please state so. If your derived unit costs differ from those derived by MMA, please provide the derivation of each unit cost together with the sources for all your computations. If you believe that it is not possible to derive accurate unit costs with which to compute the cost increase between R2005-1 BY 2004 and R2006-1 BY 2005 that you can accept, please state so.

Response:

- A. Yes.
- B. The PRC mail processing total unit costs for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters were developed by witness Smith. MMA has shown those unit costs correctly.

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C. The proportional unit cost calculations for 1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters performed by MMA were done correctly.

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MMA/USPS-27

Please refer to your response to Interrogatories MMA/USPS-14 -19. It appears from your answers that you do not accept a comparison of R2005-1 BY 2004 and R2006-1 BY 2005 cost data (which are the bases for TY 2006 and TY 2008 costs) because of “a change to the method used to collect and assign IOCS tallies.”

- A. Does the preface to this interrogatory accurately reflect your position? If not, please explain exactly what your position is at it relates to the accuracy of the BY 2004 and BY 2005 CRA cost data.
- B. Please indicate precisely where in the record the Postal Service explains exactly what changes were made to the method used to collect and assign IOCS tallies took place as those changes relate to First Class. If such an explanation is not available, please explain exactly what changes were made to the method used to collect and assign IOCS tallies and when such changes were implemented.
- C. Please explain exactly how changes to the method used to collect IOCS tallies affect the reported costs for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters.
- D. Please explain exactly how changes to the method used to assign IOCS tallies affect the reported costs for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters.
- E. Please explain why and how the changes to the method used to collect and assign IOCS tallies improves the cost reporting for (1) First-Class single piece letters, (2) First-Class metered mail letters, (3) First-Class presorted letters and (4) Standard Regular letters.

Response:

- a. Yes.
- b.-d. The Postal Service is not aware of any change to IOCS that would be expected to materially affect the measurement of costs for metered First-Class Mail letters. Otherwise, please see the response to MMA/USPS-T22-53c-d.
- e. The Postal Service did not analyze the effect of the IOCS redesign on the costs for metered First-Class Mail letters. For discussion of the effects of

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the IOCS redesign on other subclasses, please see USPS-T-46 at 22-26,
27-29, 32-34 and 38-39.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
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