

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-T22-2(D)), REDIRECTED FROM WITNESS ABDIRAHMAN, USPS-T-22
(July 3, 2006)**

The United States Postal Service hereby provides the response of Witness Bozzo (USPS-T-46) to the following interrogatory of Major Mailers Association: MMA/USPS-T22-2(D), filed on June 19, 2006, and redirected from witness Abdirahman (USPS-T-22).

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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July 3, 2006

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman

MMA/USPS-T22-2

On page 6 of your testimony you discuss the problem associated with separating Nonautomation and Automation letter costs within the in-office cost system. To solve this problem you have obtained combined the costs from the CRA and used the mail flow models as the basis to de-average the CRA costs into Nonautomation and Automation costs. You also indicate that separate costs for Nonautomation and automation letters are no longer available to you.

- A. Has the postal service officially combined Nonautomation and Automation costs within the in-office cost system? If so, please provide the date when this change took place. If not, please provide the unit costs separately for Nonautomation and Automation letters as determined by the CRA data system.
- B. Please confirm that you show the total unit cost to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) as 4.59 cents and 4.06 cents, respectively, for TY 2008 in this case. (See USPS-LR-L-48, pages 3 and 45) If not, please provide the correct total unit costs.
- C. Please confirm that in R2005-1, you showed that the total unit cost to process an average First-Class and Standard presorted letter (Nonautomation and Automation combined) for TY 2006 was 4.12 and 4.34 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 CRA TY Unit Cost (\$)	Associated Volume (000)	Total Cost (\$ 000) (1) x (3)	Combined Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.1897	1,949,367	369,707	
Automation (No Car Rt)	0.0350	43,841,671	1,534,799	
Carrier Route	0.0186	718,203	13,352	
Presorted		46,509,242	1,917,859	0.0412
Standard:				
Nonautomation	0.1626	3,517,027	571,957	
Automation	0.0340	44,600,687	1,515,895	
Presorted		48,318,487	2,087,853	0.0434

Source: USPS-LR-K-53

- D. Please explain why the total unit cost to process presorted First-Class letters was **lower** by 0.22 cents than the total unit cost to process presorted Standard mail for the test year in R2005-1, but **higher** by 0.53 cents for the test year in R2006-1.

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- E. Please confirm that, for First-Class presorted letters, the total unit processing cost is expected to increase by 11.4% (4.59/4.12 -1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.
- F. Please confirm that, for Standard presorted letters, the total unit processing cost is expected to decrease by 6.5% (4.06/4.34 -1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.

Response.

A. Answered by witness Smith (USPS-T-13).

B-C. Answered by witness Abdirahman (USPS-T-22).

D. The introduction of the redesigned IOCS data collection instrument is the likely major cause of the observed cost shift. Please see USPS-T-46, pages 38-39 (section IV.C.2).

E-F. Answered by witness Abdirahman (USPS-T-22).

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.

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