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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

**AMERICAN BANKERS ASSOCIATION AND
NATIONAL ASSOCIATION OF PRESORT MAILERS
JOINT INTERROGATORIES TO USPS WITNESS MILLER
(ABA&NAPM/USPS-T24-1-24)
(February 20, 2000)**

Pursuant to Sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the American Bankers Association and the National Association of Presort Mailers hereby submit these joint interrogatories and requests for production of documents. If the witness to whom an interrogatory is directed is unable to answer the interrogatory or produce the requested documents and another person is able to do so, the interrogatory or request should be referred to such person.

If data requested are not available in the exact format or level of detail requested, any data available in (1) substantially similar format or level of detail or (2) susceptible to being converted to the requested format and detail should be provided.

Responses to requests for explanations or the derivation of numbers should be accompanied by workpapers. The terms "workpapers" shall include all backup material whether prepared manually, mechanically or electronically, and without consideration to the type of paper used. Such workpapers should, if necessary, be prepared as part of the witness's responses and should "show what the numbers were, what numbers were added to other numbers to achieve a final result." The witness should "prepare sufficient workpapers so that it is possible for a third

party to understand how he took data from a primary source and developed that data to achieve his final results." Docket No. R83-1, Tr. 10/2795-96.

ABA&NAPM/USPS-T24-1 For Table 1, please reproduce the data using:

- a. the same methods that the Postal Service used in R97-1;
- b. the same methods used by the Commission in R97-1.

ABA&NAPM/USPS-T24-2

- a. Please confirm that your "non-worksharing fixed" costs are listed as mail processing costs in the audited version of the annual CRA.
- b. Please confirm that these costs were included in the calculation of discounts by the USPS and the Commission in R97-1.
- c. Please confirm that there have been no substantive changes to the technology of mail processing for workshared letters since R97-1.

ABA&NAPM/USPS-T24-3

- a. Are the volume variability factors you adopt from USPS-T-17 less than 100% volume variability for mail processing labor?

ABA&NAPM/USPS-T24-4 By cost pool, how, if at all, do your volume variability factors in R2000-1 vary quantitatively from those used by USPS in R97-1? For each difference, list the difference, the cost pool, and explain why the volume variability factor has changed.

ABA&NAPM/USPS-T24-5 By cost pool, how, if at all, do the piggyback, premium pay, and MODS productivities/BCS accept rates factors "associated with your testimony" (page 2, line 22) vary quantitatively from those used by USPS in R97-1? For each difference, list the

difference, the cost pool, and explain why the piggyback, premium pay, or MODS productivities/BCS accept rates factors have changed from those used in R97-1.

ABA&NAPM/USPS-T24-6 On page 3, lines 11 and 12, you assert you have excluded certain costs from mail processing unit costs because they are "non-worksharing related costs".

- a. State why, in your opinion, these costs are "non-worksharing related costs."
- b. Were these costs excluded by the Postal Service in its R97-1 calculation of mail processing costs? If your answer is "No.," explain why.
- c. Were these costs excluded by the Postal Service in MC-95-1, or in earlier rate cases? If your answer is "No." explain why for each case.
- d. Were these costs excluded by the Commission in its O & RD in R97-1, in MC95-1, in R94-1, in R90-1?
- e. Have you similarly excluded any cost pools in this case for Standard Mail A in connection with setting worksharing discounts for that class of letter mail. If not, explain why not.

ABA&NAPM/USPS-T24-7

- a. Do you agree that a "hybrid" cost methodology (page 3, line 3) is in principle inferior to a pure cost methodology, for example a CRA that measured actual rather than modeling mp costs by rate category? If not, explain fully why not.
- b. Referencing line 23 of page 4 in your testimony, has the USPS ever tried to upgrade the CRA to rate category level? Please list all information as to why the USPS has not made such an effort, or if it has, why the work was not completed.

ABA&NAPM/USPS-T24-8 On page 4, lines 9-10, you state that your definition of fixed cost pools include costs that do not vary directly as a result of the "specific worksharing options chosen by a given mailer."

- a. Which of your fixed costs vary indirectly, if not directly, with specific worksharing options chosen?
- b. Do your fixed costs vary with the volume of mail workshared at all rate levels combined, or are they fixed regardless of volume?

ABA&NAPM/USPS-T24-9 Assume the 25 billion pieces of First Class letter mail now processed annually by the private sector were to be processed by the Postal Service. Assume for the analysis that all this mail is now submitted to the Postal Service with a barcode, presorted to 3 digits. Please state the total costs to the Postal Service if it, rather than the private sector, were to process this mail to a bar coded 3 digit sorted state, including specifically the following costs:

- a. Extra cost of additional MLOCs, BCSs, RBCSs and other automation machinery
- b. Extra cost of facilities to house additional automation equipment
- c. Extra man-hours to process the mail and cost of those man-hours
- d. Other costs

ABA&NAPM/USPS-T24-10

- a. Please provide Annual Cost and Revenue Analysis (CRA) data for 1994-1998 on a methodological basis consistent across all years for the rate categories set forth below using (1) 1998 and (2) 1994 CRA methods. Provide Postal Service and Commission "PRC Methodology" numbers.

Categories: First Class single piece letters

First Class presort letters

Standard A Regular

Standard A ECR

ABA&NAPM/USPS-T24-11

- a. Please list the actual mail processing wage rates for USPS automation plants, including separately a wage rate for each category of labor, including overtime

and premium pay schedules, experience rating schedules by actual number of employees, geographic differences, and all schedules current in effect at RBCS/RCR/REC centers.

- b. Please explain how your choice of only two wage rates in your analysis can accurately measure mail processing costs for the full variety of wages actually paid, as detailed in a. above.

ABA&NAPM/USPS-T24-12 Please identify every component of mail processing costs included in the annual CRA, and which components you have excluded from your own measures of mail processing costs for the purpose of measuring worksharing savings. For each excluded CRA component, justify the basis for your exclusion of the CRA measure.

ABA&NAPM/USPS-T24-13 On page 4, line 20, of your testimony please confirm that the platform cost pool referenced is a worksharing related fixed cost pool, as you state, and explain why.

ABA&NAPM/USPS-T24-14

- a. On page 5, lines 22-23, please confirm that you have used Standard A mail characteristics as a benchmark for your calculation of First Class workshared model costs from your spreadsheets.
- b. How exactly did you use entry profile data from Standard A letter mail in analyzing certain mail processing costs of First Class workshared mail? Explain why you used this Standard A data for First Class workshared mail.

ABA&NAPM/USPS-T24-15 Referencing page 17, lines 18-27,

- a. what percentage of BMM is directly processed and barcoded by MLOCs, versus being processed with RCRs at remote sites?

- b. What percentage of BMM mail is clean, that is typewritten addresses readable directly by MLOCRs?
- c. What percentage of BMM can be directly processed and barcoded by MLOCRs?
- d. What changes in MLOCR acceptance rates for BMM have occurred annually between FY96 and FY98, or FY 99 if the data is available?

ABA&NAPM/USPS-T24-16 What is the justification for using only one month's mail volume data from a single accounting period as the sole basis for estimating certain piggyback factors, and hence certain indirect costs, as you claim to do at page 9, line 25? Is one month's data statistically reliable for this estimation?

ABA&NAPM/USPS-T24-17 On page 11, lines 8-12, are you claiming that the platform costs for BMM are the same as for First Class non-carrier route presort. Are they in fact higher for BMM? If so, how much higher?

ABA&NAPM/USPS-T24-18 You acknowledge that platform costs are lower for non-carrier route presort than for BMM, yet you assert this has nothing to do with worksharing (NON-WORKSHARING RELATED) at page 11, lines 8-12. Please explain fully what accounts for the difference in such costs.

ABA&NAPM/USPS-T24-19 On line 8 of page 11 you appear to equate what the Postal Service asserts is a "fixed" mail processing cost with "non-worksharing related" costs.

- a. Why are fixed costs necessarily non-worksharing related in mail processing? Don't private sector groups that process mail encounter fixed as well as variable costs in their worksharing activities?

- b. Please confirm that you put your term for fixed costs in quotation marks because these costs are not really fixed, and explain why they are not truly fixed as that term is defined in economic analysis.

ABA&NAPM/USPS-T24-20 Please cite all cost data that you use to develop BMM mail processing unit costs. Note each and every instance in which the cost pool is not based on a direct measurement of BMM mail, but is based on a proxy for that cost pool. Give a complete description for each proxy used.

ABA&NAPM/USPS-T24-21

- a. Cite any data or studies you have which supports the assertion that BMM is the mail most likely to convert to worksharing in First Class.
- b. Does any Standard A mail convert to First Class? What amounts?

ABA&NAPM/USPS-T24-22

- a. Cite any data or other quantitative measurements you have of the amount and percentage of BMM entered in full trays.
- b. Please confirm that the cost difference between single piece letters as a whole and the BMM subset could be due to BMM mail not being entered in full trays.
- c. Why should the delivery costs for BMM be assumed to be the same as the nonautomation presort category rather than single piece letters? Without a direct measurement of such costs for BMM, how can you assume one proxy over the other?

ABA&NAPM/USPS-T24-23

- a. Referencing page 16, line 29, list the specific technology improvements for First Class prebarcoded letter mail that have been made since R97-1, with associated

increases in productivity for each change. Be specific by machine type and operation.

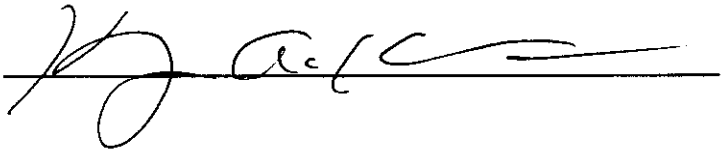
- b. Do the same for BMM and First Class single piece letter mail.

ABA&NAPM/USPS-T24-24

- a. Please refer to "Bulk Metered Mail" ("BMM") letters as you use that term at page 10 of your testimony. Please state as best you can how you would define such BMM letters if you were to draft a FCLM rate category for such mail.

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION
NATIONAL ASSOCIATION OF PRESORT MAILERS

By: 

Henry A. Hart, Esq.
Reed Smith Shaw & McClay LLP
1301 K Street N.W.
Suite 1100 - East Tower
Washington, DC 20005
Ph: 202-414-9225
Fax: 202-414-9299

Counsel for
National Association
of Presort Mailers

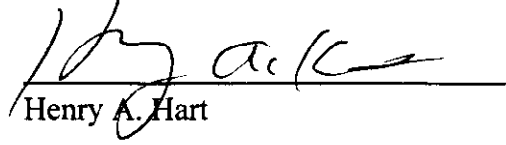
Date: February 18, 2000
Washington, D.C.

Irving D. Warden
Assoc. General Counsel
American Bankers Association
1120 Connecticut Ave., NW
Washington, DC 20036
Ph: 202-663-5035
Fax: 202-828-4548

Counsel for
American Banker Association

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.


Henry A. Hart

February 18, 2000