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

POSTAL RATE AND FEE CHANGES **Docket No. R2000-1**

MAJOR MAILERS ASSOCIATION'S FIRST SET OF FOLLOW-UP INTERROGATORIES AND DOCUMENT PRODUCTION REQUESTS TO USPS WITNESS SHARON DANIEL

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following follow-up interrogatories and document production requests to United States Postal Service witness Sharon Daniel:

MMA/USPS-T28-FU-1-5. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION

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Dated: Round Hill, VA
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Major Mailers Association's First Set Of
Follow-Up Interrogatories And Document Production Requests
To USPS Witness Sharon Daniel

MMA/USPS-T28-FU-1 Please refer to your response to MMA/USPS-T28-1. In that response you note that your study shows that, for certain First-Class letters, letters weighing two ounces cost significantly more to process than letters weighing one ounce or less, but that, for Standard Mail (A) letters, letters weighing two ounces cost about the same to process as letters weighing one ounce or less.

(a) Does your response mean that if two First-Class single piece letters, exactly alike in all respects except that one weighs one ounce and the other weighs two ounces, are mailed at the same time from the same place to the same destination, the two-ounce letter will cost, on average, 13.1 cents more to process than the one-ounce letter? If not, please explain what your response does mean.

(b) Assuming your answer to part (a) is yes, please explain in detail exactly what extra handling operations or other cost incurrence factors cause an additional 13.1 cents to be incurred in processing a First-Class single piece letter weighing two ounces. For each such extra handling operation or other cost incurrence factor, please quantify the additional unit cost involved and provide all documents which support that analysis.

(c) Does your response mean that if two First-Class presorted letters, exactly alike in all respects except that one weighs one ounce and the other weighs two ounces, are mailed at the same time from the same place to the same destination, the two-ounce letter will cost, on average, 15.1 cents more to process than the one-ounce letter? If not, please explain what your response does mean.

(d) Assuming your answer to part (c) is yes, please explain exactly what extra handling operations or other cost incurrence factors cause an additional 15.1 cents to be incurred in processing a First-Class presorted letter weighing two ounces. For each such extra handling operation or other cost incurrence factor, please quantify the additional unit cost involved and provide all documents which support that analysis.

(e) Does your response mean that if two Standard Mail (A) letters, exactly alike in all respects except that one weighs one ounce and the other weighs two ounces, are mailed at the same time from the same place to the same destination, the two-ounce letter will cost, on average, .4 cents more to process than the one-ounce letter? If not, please explain what your response does mean.

(f) Assuming your answer to part (e) is yes, please explain why those same extra handling operations or other cost incurrence factors which cause First-Class letters weighing two ounces to cost so much more to process than letters weighing one ounce have almost no impact on the cost of the second ounce for Standard Mail (A) letters. For each such extra handling operation or other cost incurrence factor, please quantify the additional unit cost involved and provide all documents which support that analysis.

MMA/USPS-T28-FU-2 Please refer to your response to MMA/USPS-T28-2. In your answer to part (b) of that interrogatory, you state that the costs by ounce increment and shape for Standard Mail (A) "are not necessarily intended to be an exact quantification of costs for every individual weight increment."

(a) Doesn't your testimony give an exact quantification of the average additional cost to process the second ounce of a Standard Mail (A) letter? *See* your answer to MMA/USPS-T28-1(c). If your answer is no, please explain.

(b) Doesn't your testimony give an exact quantification of the average additional cost to process the second ounce of a First-Class nonpresorted letter? *See* your answer to MMA/USPS-T28-1(b). If your answer is no, please explain.

(c) Doesn't your testimony give an exact quantification of the average additional cost to process the second ounce of a First-Class presorted letter? *See* your answer to MMA/USPS-T28-1(b). If your answer is no, please explain.

MMA/USPS-T28-FU-3 Please refer to your responses to MMA/USPS-T28-4 and 8(c). In those responses, you discuss the difficulties of isolating the effects of weight on cost, noting differences in presorting and barcoding by ounce increment for First-Class and Standard Mail (A).

(a) In your cost studies, did you account for differences in the following factors that might exist among letters of different ounce increments within the same subclass category? If so, how?

(1) local/nonlocal mix;

(2) origin/destination pattern;

(3) degree of presortation;

(4) prebarcode vs. no prebarcode;

(5) machinability;

(6) delivery to p.o. box vs. delivery by carrier; and

(7) likelihood of being undeliverable-as-addressed;

(b) In deriving your unit costs by weight increment, did you simply add up all the costs incurred and divide by the total originating volume? If not, please explain.

(c) If your answer to part (a) is yes, how do you know that the additional costs incurred were caused solely by the weight of additional ounces from those same pieces?

(d) For each ounce weight increment within First-Class nonpresorted letters (up to 3 ounces), are there differences in cost-causative attributes other than weight (such as, for example, ability to barcode)? If such differences do exist, please explain what they are and quantify how they impact on the cost of processing such pieces.

(e) For each ounce weight increment within First-Class presorted letters (up to 3 ounces), are there differences in cost-causative attributes other than weight (such as, for example, degree of presorting)? If such differences do exist, please explain what they are and quantify how they impact on the cost of processing such pieces.

(f) For each ounce weight increment within Standard Mail (A) letters (up to 3 ounces), are there differences in cost-causative attributes other than weight (such as, for example, degree of presorting)? If such differences do exist, please explain what they are and quantify how they impact on the cost of processing such pieces.

MMA/USPS-T28-FU-4 Please refer to your response to MMA/USPS-T28-8. There seems to be some confusion about the reference pages referred to in LR-I-91 and LR-I-92. Copies of relevant portions of the appropriate pages MMA intended to refer to are attached.

(a) Do you agree that, according to your study, for First-Class presort letters the average cost to process each incremental ounce appears to increase significantly as the weight of a letter increases from 0.5 and 3.5 ounces? Please note that the unit marginal cost differences are as follows: .5 to 1.0 oz: minus $.02; 1.0 to 1.5 oz: $.153; 1.5 to 2.0 oz: $.018; 2 to 2.5 oz: $.23; 2.5 to 3.0 oz: minus $.193; 3.0 to 3.5 oz: $.572; 3.5 to 4.0 oz: $.087.

(b) What causes the phenomenon illustrated by the marginal cost differences shown in part (a) whereby the first half ounce in each whole ounce increment costs far more than the second half ounce in each whole ounce increment?

(c) Do you agree that, according to your study, for Standard Mail (A) Regular letters the average cost to process each incremental ounce appears to be practically non-existent between 0.5 and 3.5 ounces? Please note that the unit marginal cost differences are as follows: .5 to 1.0 oz: minus $.006; 1.0 to 1.5 oz: minus $.001; 1.5 to 2.0 oz: $.027; 2 to 2.5 oz: $.015; 2.5 to 3.0 oz: $.015; 3.0 to 3.5 oz: $.029; 3.5 to 4.0 oz: $1.024.

(d) Is the relationship shown for Standard Mail (A) Regular letters, whereby the unit costs are approximately the same for all half-ounce weight increments up to 3.5 ounces, consistent with the results of previous engineering studies presented in Docket No. MC95-1 that showed throughput on letter automation equipment declined as weight increases to 4 ounces? Please explain your answer.

(e) In answer to MMA/USPS-T28-8(c) you note that transportation costs per pound are four times higher for First-Class Mail Presort letters than for Standard Mail (A) Regular letters. Please provide the actual transportation costs and the sources therefor that formed the basis for your conclusions.

(f) Please confirm the following data from LR-I-91a and LR-I-92areg. If you cannot confirm, please provide the correct unit cost figures.

Comparison of Unit Costs for First-Class Presort and Std Mail (A) Letters ($)				
	First-Class Presort Letters		Std Mail (A) Regular Letters	
	Unit Cost	Unit Cost	Unit Cost	Unit Cost
	0 to 1	1 to 2	0 to 1	1 to 2
Mail Processing	0.044	0.129	0.059	0.055
Delivery Functions	0.035	0.087	0.035	0.038
Total	0.079	0.216	0.093	0.094
Marginal Increase		0.137		0.0004

(g) As shown in the table in part (f), are the mail processing costs for 1-ounce letters within First-Class presort 1.5 cents less than for 1-ounce letters within Standard Mail (A)? If not, please explain.

(h) As shown in the table in part (f), are mail processing costs for 2-ounce letters within First-Class presort more than twice the mail processing costs for 2-ounce Standard Mail (A) letters? If not, please explain.

(i) If your answers to parts (g) and (h) are yes, please explain in detail the specific differences in the processing procedures followed by postal employees which causes First-Class Presort letters weighing between one and two ounces to cost more than (1) First-Class Presort letters weighing

under 1 ounce, (2) Standard Mail (A) letters weighing up to 1 ounce, and (3) Standard Mail (A) letters weighing between 1 and 2 ounces.

(j) As shown on the table in part (f), are delivery costs for 1-ounce letters within First-Class presort and Standard Mail (A) letters virtually the same? If not, please explain.

(k) As shown in the table in part (f), are delivery costs for 2-ounce First-Class presort letters more than twice the delivery costs for 2-ounce Standard Mail (A) letters? If not, please explain.

(l) If your answers to parts (j) and (k) are yes, please explain in detail the specific differences in processing procedures by postal employees which causes First-Class Presort letters weighing between one and two ounces to cost more than (1) First-Class Presort letters weighing under 1 ounce, (2) Standard Mail (A) letters weighing up to 1 ounce, and (3) Standard Mail (A) letters weighing between 1 and 2 ounces.

MMA/USPS-T28-FU-5 (a) Please indicate whether your study utilized the Commission-approved cost methodology, which assumes that labor costs vary 100% with volume, or the Postal Service's proposed cost methodology, which assumes that labor costs do not vary 100% with volume.

(b) If your study did not utilize the Commission-approved cost methodology, please provide the study results utilizing the Commission-approved cost methodology.

Presort Letters Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments

	0 to .5	.5 to 1.0	1.0 to 1.5	1.5 to 2	2 to 2.5	2.5 to 3	3 to 3.5	3.5 to 4
[1]volume	17,821,005,053	27,452,196,370	664,634,598	354,384,492	59,434,458	75,419,688	10,246,301	7,926,210
[2]pounds	397,945,648	1,289,700,589	49,349,555	37,869,073	8,367,261	13,207,621	2,044,620	1,839,593
[3]cubic feet (weight/density)	16,389,854	53,117,817	2,032,519	1,559,682	344,615	543,971	84,210	75,766
[4]total mp (3.1) tally	1,056,049	958,256	87,462	44,263	19,553	10,155	5,392	5,046
[5]window service (3.2) tally	17,024	20,855	597	551	41	48	9	57
[6]delivery in-office (6.1) tally	318,330	281,319	24,238	13,711	2,485	2,063	1,434	831
[7]delivery in-office (6.2) 6.1	78,858	69,690	6,004	3,396	616	511	355	206
[8]del. route (7.1) piece	8,147	12,550	304	162	27	34	5	4
[9]del. access (7.2) piece	17,122	26,375	639	340	57	72	10	8
[10]elem. load (7.3)shape&wt	120,333	389,988	14,923	11,451	2,530	3,994	618	556
[11]del. support (7.4) sum6&7	96,295	147,417	8,324	5,327	1,058	1,279	429	290
[12]vehicle service (8) cube	6,696	21,700	830	637	141	222	34	31
[13]delivery rural (10)shape&pc	135,719	209,067	5,062	2,699	453	574	78	60
[14]air/water trans. (14) weight	57,750	187,160	7,162	5,496	1,214	1,917	297	267
[15]hwy/rail trans. (14)cube	25,012	81,063	3,102	2,380	526	830	129	116
[16]Other weight	23,572	76,394	2,923	2,243	496	782	121	109
[17]Total Cost	1,960,907	2,481,835	161,569	92,657	29,196	22,483	8,912	7,580
[18]Total Unit Cost	$ 0.110	$ 0.090	$ 0.243	$ 0.261	$ 0.491	$ 0.298	$ 0.870	$ 0.956
Marginal Cost Difference		$ (0.020)	$ 0.153	$ 0.018	$ 0.230	$ (0.193)	$ 0.572	$ 0.087

Std. A Regular Letters Test Year Unit Costs by Detailed (1/2 ounce) Weight Increments

	0 to .5	.5 to 1.0	1.0 to 1.5	1.5 to 2	2 to 2.5	2.5 to 3	3 to 3.5	3.5 to 4
[1]volume	8,586,534,320	10,618,096,237	3,511,607,848	1,420,524,994	699,854,921	628,018,970	349,769,212	29,205,110
[2]pounds	180,288,572	480,757,026	265,542,931	152,048,510	97,417,662	108,198,614	68,571,805	6,799,661
[3]cubic feet (weight/density)	6,343,722	16,916,152	9,343,523	5,350,053	3,427,785	3,807,129	2,412,801	239,256
[4]total mp (3 1) tally	528,056	596,859	180,912	92,634	48,869	39,478	28,886	27,110
[5]window service (3 2) tally	11,846	11,918	3,242	1,615	645	579	323	46
[6]delivery in-office (6 1) tally	174,905	157,491	37,449	18,925	9,860	7,465	4,728	3,832
[7]delivery in-office (6 2) 6 1	37,837	34,070	8,101	4,094	2,133	1,615	1,023	829
[8]del route (7 1) piece	10,516	13,005	4,301	1,740	857	769	428	36
[9]del access (7 2) piece	6,482	8,015	2,651	1,072	528	474	264	22
[10]elem load (7 3)shape&wt	35,613	94,965	52,453	30,034	19,243	21,373	13,545	1,343
[11]del support (7 4) sum6&7	44,143	53,060	18,792	10,045	5,915	5,836	3,680	1,015
[12]vehicle service (8) cube	1,821	4,855	2,681	1,535	984	1,093	692	69
[13]delivery rural (10)shape&p	84,171	104,085	34,423	13,925	6,860	6,156	3,429	286
[14]air/water trans (14) weigh	929	2,477	1,368	783	502	557	353	35
[15]hwy/rail trans (14)cube	7,897	21,057	11,631	6,660	4,267	4,739	3,003	298
[16]Other weight	2,238	5,968	3,297	1,888	1,209	1,343	851	84
[17]Total Cost	946,452	1,107,825	361,302	184,951	101,874	91,478	61,206	35,008
[18]Total Unit Cost	$ 0.110	$ 0.104	$ 0.103	$ 0.130	$ 0.146	$ 0.146	$ 0.175	$ 1.199
Marginal Cost Difference		$ (0.006)	$ (0.001)	$ 0.027	$ 0.015	$ 0.000	$ 0.029	$ 1.024

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, Ted P. Gerarden, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with Rules 12, 25, and 26 of the Commission's Rules of Practice And Procedure.

Dated this 3rd day of March, 2000.

Michael W. Hall

Michael W. Hall