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 TO USPS WITNESS MICHAEL W. MILLER

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following follow-up interrogatories to United States Postal Service witness Michael W. Miller: **MMA/USPS-T24-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 To USPS Witness Michael W. Miller

MMA/USPS-T24-FU-1 Please refer to your response to MMA/USPS-T24-1 (a). There you to imply that weight would have a greater impact on BMM costs than non-carrier route presorted costs, because BMM letters could weigh as much as 13 ounces whereas automation presorted letters are limited to 3.3362 ounces.

(a) Please confirm that non-carrier route automation presorted letters are allowed to weigh as much as 3.3362 ounces since this is about the maximum weight that barcode sorters can handle. If you cannot confirm, please explain why the weight limit for First-Class automation presorted letters is 3.3362 ounces.

(b) Please confirm that, according to LR-I-91B, Section 1, page 1, the chances of a First-Class single piece letter weighing over 3.5 ounces is 1.6 out of 1,000 letters. If you cannot confirm, for every 1,000 single piece First-Class letters, how many letters weigh over 3.5 ounces?

(c) Please explain how each of the factors listed below affects your CRA-derived unit costs differently, for each of the various mail categories included in your presort cost savings analysis. If you have assumed that the factor has the same impact on the derived cost differences for all of the mail categories studied, please so state. In addition, if you assume that the factor has a significant impact on the derived cost differences, please so state and explain the reasons for your assumption.

(1) local/nonlocal mix;

(2) origin/destination pattern;

(3) shape;

(4) weight;

(5) machinability; and

(6) likelihood of being undeliverable-as-addressed.

(d) Please explain how each of the factors listed below affect your model-derived unit costs differently, for each of the various mail category model flows included in your presort cost savings analysis. If you have assumed that the factor has the same impact on the derived cost differences for all of the mail categories studied, please so state. If you assume that the factor has a significant impact on the derived cost differences, please so state and explain the reasons for your assumption.

(1) local/nonlocal mix;

(2) origin/destination pattern;

(3) shape;

(4) weight;

(5) machinability; and

(6) likelihood of being undeliverable-as-addressed.

(e) Aside from those factors listed in parts (c) and (d), are there any other factors that affect the CRA and model-derived unit costs differently? If so, please identify all such factors and explain how each of them affects the derived unit costs.

(f) In order for your CRA-derived and model-derived unit costs to accurately reflect and compare presortation and automation cost differences, do you agree that it is your objective to remove all other cost causing attributions, such as those listed in parts (c) and (d) and any additional factors identified by you in part (e) of this interrogatory? If you do not agree, then please state what your objectives are.

(g) In your opinion, have you sufficiently removed from your analysis the impact of all other cost causing attributes, such as those listed in parts (c) and (d) and any additional factors identified by you in part (e) of this interrogatory? Please explain your answer.

MMA/USPS-T24-FU-2 Please refer to your response to MMA/USPS-T24-2 (b). There you explain why the "1CANCMMP" cost pool was assumed to be zero for Bulk Metered Mail (BMM).

(a) Please confirm that since you assumed that BMM mail are "entered in bulk, similar to presort mailers" and that BMM "would bypass these cancellation and metered mail preparation operations", you set the 1CANCMMP unit cost for BMM equal to zero. If you cannot confirm, please explain why not.

(b) If Bulk Metered Mail (BMM) is assumed to be entered into the mail stream in the same manner as First-Class presorted mail, please explain why you did not also assume that the 1CANCMMP cost for automation presorted letter mail would be zero.

(c) Please confirm that of all 22 cost pools with costs greater than .001 cents that you deemed were "non-worksharing related (fixed)", the BMM unit cost is higher than for Automation presorted letters, with one exception. The only

exception is the 1CANCMMP cost pool that you assumed would be zero for BMM and made no similar assumption for automation presorted letters.

(d) If not for presortation and automation differences, what causes the BMM unit cost to be higher for every cost pool other than the one cost pool that you artificially set the relationship for -- the 1CANCMMP cost pool?

MMA/USPS-T24-FU-3 Please refer to your response to MMA/USPS-T24-6 (b) (3) and (4). There you indicate why the two cost pools "1SUPPF1" and 1SUPPF4" are unrelated to mailer presorting.

(a) What causes these costs to be .407 cents for metered mail and .108 cents for automation mail, as shown in your CRA cost derivations?

(b) Is the cost difference between metered mail and automation mail of .229 cents (.407 - .108) statistically significant? Please explain.

MMA/USPS-T24-FU-4 Please refer to your responses to MMA/USPS-T24-7-9. There you explain some of your reasons for deriving mail flow model unit costs even though you already had a CRA derived unit cost for some of the categories for First-Class letters included in your analysis.

(a) In comparing the CRA-derived unit costs and the weighted average model-derived unit costs, please confirm that the model-derived unit cost was:

(1) Lower than the CRA-derived unit costs by 1.71 cents or 25% for metered mail;

(2) lower than the CRA-derived unit costs by 1.40 cents or 18% for non-automation presort letters;

(3) higher than the CRA-derived unit costs by .31 cents or 12% for automation presort letters; and

(4) lower than the CRA-derived unit costs by .57 cents or 29% for carrier route letters.

(b) If your mail flow models are well designed and formulated to reliably simulate the real world production flow for processing letters, shouldn't you expect that the model unit costs would either be consistently high or consistently low as measured from the CRA-derived unit costs? Please explain your answer.

(c) If your mail flow models are well designed and formulated to reliably simulate the real world production flow for processing letters, wouldn't you feel the models were more reliable if their results were consistently off in the same

direction when compared to the CRA-derived unit costs? Please explain your answer.

(d) If your mail flow models are well designed and formulated to reliably simulate the real world production flow for processing letters, wouldn't you feel the models were more reliable if their results were consistently off by approximately the same relative amount when compared to the CRA-derived unit costs? Please explain your answer.

(e) Please explain how USPS witness Campbell requested from you a "nonautomation CRA proportional adjustment factor"?

MMA/USPS-T24-FU-5 Please refer to your responses to MMA/USPS-T24-14 (a) and (b) and the Postal Service's institutional response to MMA/USPS-T24-14 (c). In your responses, you explain how mailers' compliance with the Move Update requirements is incorporated into your cost savings analysis. The Postal Service response provides actual volumes that were forwarded or returned by subclass for 1999.

(a) Please confirm that the added work performed by mailers to comply with the move update requirements should increase the derived cost savings between your benchmark BMM and automation basic letters? If you cannot confirm, please explain why not.

(b) Please confirm that, according to the Postal Service's institutional response, in 1999, the percentage of letters forwarded or returned for presorted letters (1.74%) is higher than for nonpresorted letters (1.21%). If you cannot confirm, please explain why not.

(c) Please explain how the move update program has impacted the percent of presorted letters that are being forwarded or returned, in view of the finding reported in the Executive Summary of the Address Deficiency Study (which appears at the following Uniform Resource Locator: http://ribbs.usps.gov/files/uaa/uaasum.pdf) that various move update programs saved the Postal Service at least $1.5 billion in 1998.

(d) Assuming that you can confirm the percentages provided in part (b), please confirm that your inclusion of the worksharing related savings in the impacted cost pools, i.e. reflecting a greater UAA percentage for presorted letters than for nonpresorted letters, has the effect of reducing any derived cost differences resulting from the Move Update requirement? Please explain your answer.

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 7th day of March, 2000.

Michael W. Hall/PS

Michael W. Hall