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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

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

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

REVISED RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS MILLER TO INTERROGATORY OF MAJOR MAILERS ASSOCIATION
(MMA/USPS-T24-1) (ERRATUM)

The United States Postal Service hereby provides the revised response of witness Miller to the following interrogatory of Major Mailers Association: MMA/USPS-T24-1. The original two-page response was filed February 22, 2000. On page 2 in the last line of paragraph 1 of that response, witness Miller incorrectly identified the automation presort letter weight limit. The revised response correctly indicates that the automation presort letter weight limit is 3.3103 ounces. The attached two pages replace the originals filed on February 22nd.

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

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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March 21, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
REVISED 3/21/2000**

MMA/USPS-T24-1 On page 11 of your prepared testimony, you state that platform costs should be fixed and not related to worksharing. You also note that in Docket No. R97-1, bulk metered mail (BMM) platform costs were .212 cents higher (or 84%) than the platform costs for First-Class non-carrier route presorted letters.

(a) If this difference is not presort-related, please explain why metered mail platform costs are so much higher than presorted letter platform costs.

(b) If this cost is not presort-related, doesn't removing this cost from your analysis implicitly assume that the unit labor costs for this operation are the same for non-carrier route presorted and BMM letters. Please explain your answer.

(c) If your answer to part (b) is no, then please explain how any other factors which affect costs will not undermine your entire CRA-derived unit costs for the five First-Class mail categories included in Appendix I, pages I-7 through I-11.

(d) If these costs were, in fact, not related to worksharing, and if, in fact, these costs were the same for each of the two categories of mail, then wouldn't inclusion of these costs have no impact on the derived cost differences between the unit labor costs? If no, please explain.

RESPONSE:

(a) CRA mail processing unit costs for Bulk Metered Mail (BMM) letters are not available. As a result, the CRA mail processing unit costs for all metered letters are used as an estimate. One modification is made to reflect the assumption that BMM letters are entered in full trays; the costs for the "1CANCMMP" cost pool are set to zero. Therefore, the collection costs normally associated with isolating, facing, and traying metered letters are ignored. However, some costs that are related to collections (e.g., loading and unloading trucks at the dock) are still imbedded in the "1PLATFORM" cost pool. As a result, were it possible to isolate the platform costs for BMM letters, those costs would likely be lower than the platform costs for all metered letters (which is the value contained in the estimate).

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RESPONSE to MMA/USPS-T24-1 (Continued)**

In addition, if mailer presortation were a primary cost driver for the "1PLATFORM" cost pool, it is unlikely that the costs for the BMM letters estimate (0.761 cents) would be nearly identical to those for the nonautomation presort letters category (0.752 cents). One might suspect that other factors, such as mail piece weight, might be affecting these costs. (BMM letters and nonautomation presort letters can weigh up to 13 ounces, but automation presort letters are limited to 3.3103 ounces.)

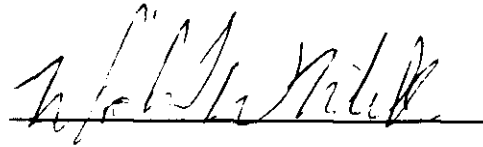
(b) No. The exclusion of platform costs from the worksharing related savings calculations means that those costs should not be affected by worksharing. It does not mean that the platform costs for different mail types should be identical. For example, the weight limitations for BMM letters (13 ounces) and automation presort letters (3.3103 ounces) are not identical. Therefore, one would not expect the mail processing unit costs to be identical.

(c) The mail processing unit cost estimates and worksharing related savings estimates contained in my testimony are developed using the best data available. There are many limitations associated with the development of any cost estimate. Cost is obviously an important factor, but Postal Service pricing witnesses consider all nine factors specified by U.S.C. §3622(b) when proposing rates and fees.

(d) As stated in (b), the platform costs for different mail types would not necessarily be the same. Therefore, the inclusion of these costs could erroneously affect the worksharing related savings results, even though these costs are not affected by mailer worksharing activities.

DECLARATION

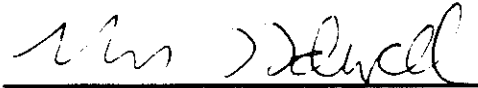
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: 3/21/2000

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.

A handwritten signature in cursive script, appearing to read "Michael T. Tidwell", is written above a horizontal line.

Michael T. Tidwell

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