

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

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF E-STAMP
(E-STAMP/USPS-T33-1 AND 2)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of E-Stamp: E-STAMP/USPS-T24-1 and 2 (filed on March 8, 2000).

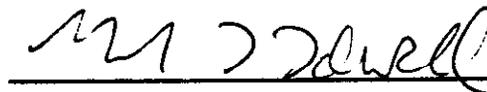
Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



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March 22, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
INTERROGATORIES OF E-STAMP CORPORATION**

E-STAMP/USPS-T24-1 On page 18 of your testimony there is a table listing all of the work-sharing related cost savings by rate categories. That table shows that non-automated presort letters have total mail processing unit costs of 10.337 cents, 0.091 cents less than bulk meter mail letters. This table also shows that, in the case of automation basic letters, there are work-sharing related savings of 4.919 cents per piece compared to bulk meter mail letters (including 0.901 cents of delivery cost savings).

(a) In the case of non-automation presort letters, where the work-sharing savings is shown to be 0.091 cents per piece compared to metered mail, is all of that 0.091 cents savings attributable to the fact that the letter is presorted? Please explain any negative answer.

(b) Do these numbers suggest that, compared to a bulk meter mail letter, a basic automated presort letter costs 4.919 cents less per piece due solely to the fact that the letter is automated and is basic presorted? Please explain any negative answer.

(c) If the answer to (a) and (b) above are in the affirmative, does it also follow that, of the work-sharing related savings of 4.919 cents per piece for automation basic letters, all but 0.091 cents, or 4.828 cents, of the 4.919 cents savings is attributable to the fact that it is automated, and only 0.091 cents of the 4.919 cents is attributable to the fact that it is presorted? Please explain any negative answer.

(d) USPS witness Campbell, on page 40 of his testimony, states that QBRM mail costs 3.38 cents per piece less than handwritten single piece letters; and in response to E-Stamp/USPS-T29-1, states that the cost difference between a QBRM piece and a metered mail piece is 1.75 cents. If these responses are correct, then this would mean that the difference between a handwritten piece and a piece of metered mail is 1.63 cents (3.38 cents minus 1.75 cents). If you have confirmed in (c) above that the cost avoidance is due solely to automation, compared to a metered mail piece, is 4.828 cents per piece, then is it not the case that the cost difference between a handwritten single piece letter and an automated basic letter, due solely to the fact that it is automated, would be 6.458 cents per piece (4.828 cents plus 1.63 cents)? Please explain any negative answer.

RESPONSE:

(a) No. The worksharing related savings shown in Table 1 (page 18) of my testimony reflect the cost difference between the worksharing related mail processing

RESPONSE to E-STAMP/USPS-T24-1 (Continued)

and delivery unit costs for the Bulk Metered Mail (BMM) letters estimate and the corresponding costs for the First-Class nonautomation presort letters estimate. These numbers are strictly CRA-based and reflect all cost differences between the two mail categories, including the savings associated with presorting nonautomation letters. There may, however, be other cost causing characteristics (e.g., weight distribution differences, the percentage of mail that is entered at the destinating facility, etc) that affect the worksharing related savings results to some extent. It is not possible to completely exclude these other cost causing characteristics using CRA data nor is it possible to determine the extent to which they may be affecting the results.

(b) No. The worksharing related savings shown in Table 1 (page 18) of my testimony reflect the cost difference between the worksharing related mail processing and delivery unit costs for the Bulk Metered Mail (BMM) letters estimate and the corresponding costs for the First-Class automation basic presort letters estimate. The BMM letters figure is strictly CRA-based. The automation basic letters figure is indirectly CRA-based in that cost models are used to de-average the CRA mail processing unit costs for First-Class automation non-carrier route presort letters. As a result, the worksharing related savings results reflect all cost differences between the two mail categories, including the savings associated with barcoding and presorting automation basic letters. There may, however, be other cost causing characteristics (e.g., weight distribution differences, the percentage of mail that is entered at the destinating facility, etc.) that affect the worksharing related savings results to some

RESPONSE to E-STAMP/USPS-T24-1 (Continued)

extent. It is not possible to completely exclude these other cost causing characteristics using CRA data nor is it possible to determine the extent to which they may be affecting the results.

(c) The response to (a) and (b) have not been answered in the affirmative.

(d) The answer to (c) has not been answered in the affirmative.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO
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E-STAMP/USPS-T24-2 In Appendix I, page 1, you have listed a summary of First Class letters where in you compare Bulk Metered Mail letters as a benchmark to the various presort categories of First Class letters, and estimate the work sharing related savings for each category. Please provide the same information for the non-automation presort letters and automation basic presort letters, using a benchmark of handwritten letters rather than Bulk Metered Mail letters.

RESPONSE:

As stated on page 1, the purpose of my testimony is to develop cost estimates related to the First-Class Mail presort letters and cards and the Standard Mail (A) presort letters rate categories. I have not attempted to develop worksharing related savings estimates using specific single-piece mail types as benchmarks, other than Bulk Metered Mail (BMM) letters. In order to develop a handwritten estimate using a cost methodology that is consistent with the remainder of my testimony, it would be necessary to de-average the First-Class single-piece letters mail processing unit costs from LR I-81 for all single-piece mail types. I have not performed the background work necessary to accomplish this task as it is clearly outside the scope of purpose of my testimony.

DECLARATION

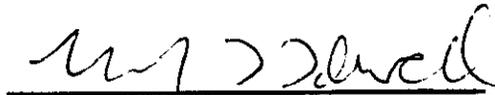
I, Michael W. Miller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Michael W. Miller", is written over a horizontal line.

Dated: 2/22/2000

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 black ink, appearing to read "M. T. Tidwell", written over a horizontal line.

Michael T. Tidwell

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