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

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-T24-30-42)

(March 22, 2000)

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the American Bankers Association (ABA) and the National Association of Presort Mailers (NAPM) hereby submit these joint interrogatories and requests for the production of documents. The instructions included with ABA&NAPM interrogatories ABA&NAPM/USPS-24-1-24 are hereby incorporated by reference.

ABA&NAPM\USPS-T24-30.

What was the USPS's Forwarding/return cost per piece of Undeliverable As Addressed Mail in FY1998, in FY1999 (to the extent available), and projected in the test year in this case (Provide separately for return and for forwarding)? Please identify what components are included within such costs, including without limitation, computer forwarding systems, mail

processing, transportation and delivery for Undeliverable As Addressed Mail.

ABA&NAPM\USPS-T24-31.

What was the total USPS cost of forwarding/returning Undeliverable As Addressed Mail in FY1998, in FY1999 (to the extent available), and projected in the test year in this case? Please breakout these figures by class of mail, and within FCLM, by rate category.

ABA&NAPM\USPS-T24-32.

What percentage of First Class letter mail was Undeliverable As Addressed in FY1998, in FY1999 (to the extent available), and projected in the test year in this case? Please breakout these figures by rate category.

ABA&NAPM\USPS-T24-33.

Please confirm that the USPS will realize cost savings as a result of the move update requirements for non-automation presort FCLM and automated FCLM. Please estimate these cost savings in the test year in this case. If you cannot confirm this fact, please explain why.

ABA&NAPM/USPS-T24-34.

Page I-1 of Appendix I to your testimony sets forth First Class unit cost estimates for, inter alia, the Bulk Metered FCLM Benchmark, non-automated presort FCLM and automated FCLM. Please confirm that these unit cost estimates do not reflect any cost differences as a result of the move update requirements which are applicable to non-automated presort and automated FCLM, and which are not applicable to the Bulk Metered FCLM benchmark; and explain why these move update savings were not included in R2000-1. If you cannot confirm this fact, please explain why not. If you believe that your testimony does capture cost savings of move update requirements, does this include not only mail processing savings, but also the savings of transportation and delivery of forwarding/returning Undeliverable As Addressed Mail?

ABA&NAPM/USPS-T24-35

Please explain fully the unusual spike in unit mail processing direct labor costs (CRA, cost segment 3.1) for First Class and Standard A letter mail between FY1996 and FY1997. In particular, is the change influenced by any of the following factors?

- a. Methodological changes between the 1996 and 1997 CRA, including but not limited to measuring volume variable (1997) as opposed to attributable (1996) direct labor costs.
- b. Any settlements of labor disputes which caused a one

time increase in mail processing labor costs.

c. Other factors.

ABA&NAPM/USPS-T24-36

In your testimony on page 17, lines 12-17, you state that the use of an R97-1 methodology for estimating non-automation presort unit mail processing costs resulted in a 7.199 cent measure while the different methodology used in this case results in a 10.337 cent measure for the same rate category.

- a. How much of this change is due to a change in methodology, and how much is due to a change in other factors, e.g. mail processing wage rates?
- b. Assuming, as your discussion implies, that the difference is mostly due to your change in methodology, please explain what credibility the USPS mail processing cost modeling procedures have if the estimation for one rate category is 44% different than the estimation in R97-1.
- c. Please confirm that, ceteris paribus, if the methodology in R97-1 underestimated "true" unit mail processing costs for non-automation presort, then: (i) it overestimated true unit mail processing costs for the other three rate categories in the "non-carrier route presort" category; (ii) underestimated mail

processing cost avoidances for the other three rate categories in the "non-carrier route presort" category.

ABA&NAPM/USPS-T24-37

On page 3, lines 17 -18, you note that "In some cases, the IOCS provides relevant mail processing unit costs at the rate category level." Please explain why the IOCS can provide mail processing unit costs for two workshared rate categories (carrier route presort and nonautomation presort), but not for the other three rate categories: basic automation, automation three digit presort, and automation five digit presort. Are there any other cases in which the IOCS can be used to produce rate category data for First Class workshared mail? If so, which one(s)? If not, why not?

ABA&NAPM/USPS-T24-38

On page 4, line 5 please explain what you mean by "level of prebarcoding."

ABA&NAPM/USPS-T24-39

On page 7 of your testimony, lines 18-19, you state that "you rely upon the estimated test year finalization rate" in a publication entitled RCR 2000 Decision Analysis Request (DAR).

- a. Please confirm that your RCR percentages for First Class single piece and metered mail are hypothetical, that is in the nature of a forecast DAR for test year 2001.

- b. Please confirm that the finalization rate for the last year of actual data is 53%, while your test year forecast is 69%?
- c. Please confirm that the conclusions about the reduced unit costs of processing single piece and metered mail in your test year models hinge on the hypothetical number in a. being an accurate forecast.

ABA&NAPM/USPS-T24-40

On page 7 of your testimony, lines 24-25, you state that "the actual RBCS leakage percentages have been decreasing and approaching the target value." Please list the actual RBCS leakage percentages by year for 1996, 1997, 1998 and 1999.

ABA&NAPM-T24-41

In your testimony at page 11 you characterize your mail processing cost methodology as differing from USPS witness Hatfield's in R97-1 primarily in that you separate mail processing "fixed costs" into "worksharing related" and "non-worksharing related", while USPS witness Hatfield assumed all fixed costs to be worksharing related. However, comparing witness Hatfield's percentages in his Figure III-A (R97-1, USPS-T-25, page 6) to yours in Appendix I, pages 12 and 13, (nonautomation presort and automation non-carrier route presort respectively), you appear in the first instance to have moved many costs out of witness Hatfield's "proportional" cost pool into your two "fixed"

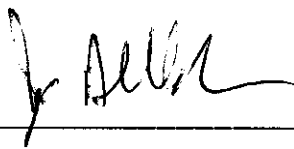
cost pools. For example, Hatfield's proportional costs for his benchmark CRA (non-carrier route presort) at 4.2 cents are 91.3% of his total CRA benchmark costs (4.6 cents) while your proportional costs for your benchmark (automation non-carrier route presort) are only 65.85% of your total CRA benchmark costs [and 80% of your nonautomation presort costs, the fourth rate category in the Hatfield aggregate benchmark].

- a. Please confirm that you have reclassified several proportional cost pools from R97-1 as fixed cost pools in this case. List each such change for your 52 cost pools.
- b. Please justify each and every such change in a cost pool that you have made from proportional to fixed (whether worksharing related or non-worksharing related). That is explain why that cost pool was classified as proportional up through R97-1, and why it is suddenly no longer so classified.

ABA&NAPM/USPS-T24- 42

- a. Please group by number of bins the current array of MLOCRs in use by the Postal Service for First Class Letter Mail. For example, 100 OCRs have 60 bins, 150 have 90 bins, etc.
- b. What assumption concerning the number of sweepers per MLOCR for each grouping identified above underlies your mail processing cost studies for First Class Letter Mail?

Respectfully submitted,
AMERICAN BANKERS ASSOCIATION
NATIONAL ASSOCIATION OF PRESORT MAILERS

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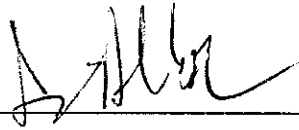
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National Association
Of Presort Mailers

Counsel for
American Bankers Association

March 22, 2000
Washington, D.C.

CERTIFICATE OF SERVICE

I hereby certify that I have this date caused the foregoing document to be served upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



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