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 DANIEL
(ABA&NAPM/USPS-T28-14-23)

(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-T28-14

In his testimony, USPS witness Miller reduces mail processing costs by eliminating from the R97-1 procedure certain cost pools which he claims are not worksharing related. In his "First - Class Letters Summary" table (See Miller's Appendix I at page I-1), this procedure appears as column (2), "Mail Proc Work-Sharing Related Unit Cost". He then labels column (3) Delivery Work-Sharing Related Unit Cost.

a. In your estimation of delivery costs in R2000-1, have you adjusted R97-1 USPS witness Hume's delivery cost methodology by eliminating any cost pools from CRA cost segments 6, 7 and 10 which he included in R97-1?

b. Is witness Miller's terminology from his column (3) label something which he has concluded independently from your work, namely that all your reported unit delivery costs are worksharing related?

c. Please confirm that in your view all the delivery unit costs you report are "work-sharing related".

ABA&NAPM/USPS-T28-15

In LR-I-95 as well as your testimony, USPS-T-28, please confirm that nowhere do you develop the delivery costs of either single piece or bulk metered letter mail.

ABA&NAPM/USPS-T28-16

On page 20, line 11, of your testimony you state that the volume numbers you use for calculation of unit delivery costs are RPW volumes. Is this consistent with the volume numbers used for the development of unit mail processing costs by witness Miller? Is it consistent with the volume numbers used for Standard A unit MP and D costs?

ABA&NAPM/USPS-T28-17

On page 25 of your testimony you state rural unit delivery

costs for DPSed and non-DPSed letters. Please provide the corresponding data for city carriers.

ABA&NAPM/USPS-T28-18

On page 32, lines 2-5, you state the classification changes made in R97-1 are not included in the Kashani BY volume adjustments because "they occurred after the conclusion of the BY".

a. What changes are you referring to from R97-1?

b. Are they included in the Kashani rollforward to FY1999? If not why not?

c. Are they included in the Tolley rollforwards to FY1999? If not why not?

ABA&NAPM/USPS-T28-19

In the development of your delivery costs, why is some support labor (CRA, cost segment 6.2) included and other support labor (CRA, cost segment 7.5) excluded?

ABA&NAPM/USPS-T28-20

Please confirm from LR-I-95, "Rural DPS", page 1, that the percentage of First Class (1) basic automation (2) automated 3 digit and (3) automated 5 digit letters that are delivery point sequenced (DPSed) is greater than for the corresponding rate categories for Standard A Regular letter mail.

a. Please list the corresponding DPS percentages for city

carrier letter mail.

b. Are your rural DPS percentages applied to city carrier cost segments anywhere in LR-I-95? If so, please explain why.

ABA&NAPM/USPS-T28-21

Please explain in detail the procedures you used to roll forward your sample weight and cost data for base year 1998 in LR-I-102 to the test year data found in your testimony and LR-I-91.

ABA&NAPM/USPS-T28-22

Refer to LR91 tables "Single-Piece All Shapes Test Year Unit Cost by Function," Presort All Shapes Test Year unit Cost by Function," LR92 tables "Std. A Reg. All Shapes Test Year Unit Cost by Function," and " Std. A ECR All Shapes Test Year Unit Cost by Function." (all costs are in cents)

	Single-Piece	Presort	Std. A Reg.	Std. A ECR
Delivery Unit Cost: (City Delivery in office + City Delivery Street + Vehicle Services + Rural Delivery)				
0-1 ounce	5.2	4.3	5.0	4.77
1-2 ounce	8.1	9.5	6.4	5.33
% Change	56%	121%	28%	12%

Please explain why the unit delivery costs for the 2nd ounce for single piece and presort are disproportionately higher than the corresponding delivery unit costs for Std. A Reg and Std A ECR?

ABA&NAPM/USPS-T28-23

Refer to LR91 tables "Single-Piece Letters Test Year Unit Cost by Function," Presort Letters Test Year unit Cost by Function," LR92 tables "Std. A Reg. Letters Test Year Unit Cost by Function," and " Std. A ECR Letters Test Year Unit Cost by Function." (all costs are in cents)

	Single-Piece	Presort	Std. A Reg.	Std. A ECR
Delivery Unit Cost: (City Delivery in office + City Delivery Street + Vehicle Services + Rural Delivery)				
0-1 ounce	5.2	4.28	4.5	4.5
1-2 ounce	8.2	9.62	5.0	6.04
% Change	58%	125%	11%	34%

Please explain why the unit delivery costs for the 2nd ounce for single piece and presort are disproportionately higher than the corresponding delivery unit costs for Std. A Reg and Std A ECR?

ABA&NAPM/USPS-T28-24

From your total unit cost for ounces above 1 ounce in Table 1 (0.1245) and Table 2 (0.1477) in LR-I-91, please present the same two numbers for direct volume variable labor costs without piggybacks and indirect costs, first with premium pay factors included, second without premium pay factors.

ABA&NAPM/USPS-T28-25

a. Do your piggyback factors include equipment and facility user costs for each weight increment in your study?

b. By adding USPS witness Smith's piggyback costs and indirect costs for each weight increment, are you double counting, or are you breaking down total piggyback costs, premium pay factors and other indirect costs as calculated by witness Smith?

c. If your answer to b. is that you are breaking down totals, please provide a spread sheet showing those totals by major piggyback or indirect cost factor on a per piece, unit cost basis over each ½ ounce and full ounce cost-weight increment you provide for Tables 1 and 2 of LR-I-91.

ABA&NAPM/USPS-T28-26

Intuitively, how could the 2nd ounce of First Class presort mail cost more than the 2nd ounce of First Class single piece mail, since shapes vary more with the latter than the former,

since the former is viewed as being "cleaner" mail, and since it avoids several work activity steps that First Class single piece does not avoid?

ABA&NAPM/USPS-T28-27

Refer to LR-I-91, Tables "Single-Piece Letters Test Year Unit Cost by Function," and "Presort Letters Test Year Unit Cost by Function," and LR92, Tables "Std. A Reg. Letters Test Year Unit Cost by Function," and " Std. A ECR Letters Test Year Unit Cost by Function." (All costs are in cents)

	Single-Piece	Presort	Std.A Reg.	Std. A ECR
Mail Processing Unit Cost:				
0-1 ounce	11.7	4.45	5.9	1.47
1-2 ounce	19.8	12.93	5.5	1.97
% Change	69.2%	190.6%	-6.8%	34%

a. Please explain what weight related factors would cause a First Class presort letter to have a 191% increase in marginal costs between the first and second ounce while a Standard A Regular letter would exhibit an absolute reduction in marginal costs across the same weight increment.

b. Please explain what weight related factors would cause a

First Class presort letter to have nearly 3 times the increase in marginal cost between the first and second ounce that a First Class single piece letter has.

ABA&NAPM/USPS-T28-28

Refer to LR-I-91, Section 1 Page 1 Table 1, titled "Single-Piece All Shapes Test Year Unit Costs By Function", supporting detail. Explain how mail processing costs for the 2nd ounce (29.6 ¢) vs 1st ounce (12.4 ¢) can be higher by about 139%?

a. Do RCR costs vary by weight?

b. Do MLOCR costs vary by this weight increment?

c. Do RBCS costs, that is manual video encoding, vary by weight?

d. Do BCS costs vary by this weight increment?

e. If your answer is "yes" to any of the above, please explain fully and provide all engineering study data that would support your answer.

ABA&NAPM/USPS-T28-29

In LR-I-91, Section 2, Table 2, supporting detail for presort letters, explain how unit mail processing costs for the second ounce of workshared mail can be 191% higher than the first ounce costs?

a. Does this mean MLOCRs and BCSs pass a standard size business letter mail weighing between one and two ounces at a speed 1.91 times slower than an identical

letter weighing one ounce or less? Please provide any engineering studies that support this claim if your answer is in the affirmative.

b. If your answer to a. is in the affirmative, why should the depreciation charge be any different from the first ounce (that is why is the charge not set equal to 0) due to the speed difference assuming there is excess capacity (idle machine time) within the time window such mail is processed?

c. Do letters through three ounces cause any more physical wear and tear on a piece of automation machinery than a one ounce letter? Please provide any documentation that exists to support your answer.

d. Apart from wear and tear on the machine, do heavier weight letters through three ounces cause any more downtime for automation machinery, e.g. jams, than one ounce letters do? Please provide any documentation that exists to support your answer.

ABA&NAPM/USPS-T28-30

a. In Table 2, supporting detail for presort letters, please explain how in-office city delivery costs can be 182% greater for a presort letter weighing between 1 and 2 ounces than for a presort letter weighing one ounce or less.

b. For both single piece and presort, please explain why city delivery street unit costs vary widely between the first and

second ounce, but vary only slightly for rural delivery costs.

ABA&NAPM/USPS-T28-31

Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 5 state that "Official estimates of revenue, pieces, and weight for First-Class, Periodicals, and Standard Mail (A) are developed by the Revenue, Volume, and Performance Measurement group. The primary data source for those estimates is the CBCIS and the domestic RPW sample. The CBCIS draws input from the PERMIT bulk mail acceptance system. These data sources are also used in this analysis although the method used here are, by necessity, somewhat different. Although not exactly equal, there is general consistency between the official estimates and those reported here."

a. Please explain what you mean "…by necessity, somewhat different."
b. Please explain what you mean by "… there is general consistency between the official estimates and those reported here." Please provide the degree to which your estimates differ from the official estimates. What are the official estimates?

ABA&NAPM/USPS-T28-32

Please explain what advantages in weight studies are gained from using PERMIT system over BRAVIS.

ABA&NAPM/USPS-T28-33

Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 10 you state that "First-Class and Standard Mail (A) metered and stamped revenue estimates at non-PERMIT offices are obtained from a linear regression model. These estimates are used to assign non-PERMIT offices to the appropriate office size stratum."

a. Please provide any studies done to make sure that this procedure does not result in biased estimates of revenues for non-PERMIT offices.
b. Please provide all statistical results for regression model and parameter estimates reported in Table 8 such as standard errors of estimates, sample size, R-squared, and etc.
c. For the First-Class estimation of revenues for non-PERMIT offices you use FY 95 data whereas for the Standard Mail (A) you use FY 96 data. Please explain why you use different sets of data for your estimations?
d. Please explain why you did not use data over FY 94 to FY 97 period for your estimation.
e. Could there be other variables that may account for the

variations in the revenues? For example, month-of-the-quarter effect or geographic-location effect.

ABA&NAPM/USPS-T28-34

Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 12 you state that "Observations that can not meet the standards for any of these three groups are discarded." Please provide the discard rate.

ABA&NAPM/USPS-T28-35

Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 12 you state that "The data editing rules are complex and depend on the information contained in the PERMIT record."

a. Please explain how these rules are determined.
b. Furthermore, provide any studies showing the effect of different editing rules on the integrity of the data.

ABA&NAPM/USPS-T28-36

Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 12 you discuss the filling of missing data.

a. Please provide a summary of missing data in terms of percentages missing and non-missing data for different mail categories.

b. Further, you state that "…the average revenues for the office are computed over the available accounting periods in the year." Are there schemes that might be superior to such simple averaging? Have you tried any other schemes to fill missing data other than simple averaging?

ABA&NAPM/USPS-T28-37

a. Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 16 section VIII, you discuss the inflation of data "…to certain GFY 98 published RPW estimates." Explain what you mean by "**certain**" GFY 98 published RPW estimates. Please provide any studies that this inflation of the strata results to RPW estimates level is unbiased across all mail categories and weight increments.

b. Please refer to document for USPS LR-I-102 "First-Class, Standard Mail (A), and Periodicals Volume by Shape and Weight Increment." On page 9 you state that "For all classes the PERMIT transactions in each stratum are inflated to the total revenue in each stratum. The computed revenue control factor is applied to pieces and weight data as well,

while maintaining the full array of rate characteristics including rate element, shape, and weight increment."
Please provide any studies that show that this inflation is statistically unbiased with respect to the shape and weight increment

Respectfully submitted,

AMERICAN BANKERS ASSOCIATION

NATIONAL ASSOCIATION OF PRESORT MAILERS

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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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