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

POSTAL RATE AND FEE CHANGES
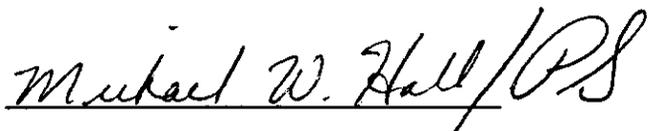
Docket No. R2000-1

Major Mailers Association's Third Set Of
Interrogatories And Document Production Requests
To USPS Witness Sharon Daniel

Pursuant to Rules 25, 26, and 27 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following follow-up interrogatories and document production requests to United States Postal Service witness Sharon Daniel: **MMA/USPS-T28-14-19.** 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

By: *Michael W. Hall/GPS*

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Dated: Round Hill, VA
March 23, 2000

MMA/USPS-T28-14   Please refer to your responses to MMA/USPS-T28-9-12. In those responses you discuss the impact of factors other than weight that affect your derived unit costs by weight increment for First-Class Single Piece, Presorted, and Standard Mail (A) letters. Specifically, you state that "[t]he cost study reflects all the characteristics associated with the average piece in each weight increment", and that your studies do not provide the "specific impact of weight on costs" but rather provide a "general indication of the effect weight has on total volume variable costs". You further note that "[C]ost-causative attributes other than weight that may be different in each ounce weight increment (up to 3 ounces) include at least all the factors listed in subpart (a)" of MMA/USPS/T29-11.

(a)   Please confirm that as part of your analysis, some of the costs, specifically those reflecting elementary load, air/water transportation, and "other weight", were directly distributed to weight increments on the basis of weight. If you cannot confirm, please explain how such costs were distributed to weight increments.

(b)   Please confirm that as part of your analysis, those costs reflecting delivery support were directly distributed to weight increments on the basis of other cost categories, of which a portion were distributed to weight increments on the basis of weight. If you cannot confirm, please explain how such costs were distributed to weight increments.

(c)   Please confirm that as part of your analysis, some of the costs, specifically those reflecting vehicle service and highway/rail transportation, were directly distributed to weight increments on the basis of cube. If you cannot confirm, please explain how such costs were distributed to weight increments.

(d)   Please confirm that weight and cube are directly related such that as cube increases, weight generally increases. See your response to Interrogatory VP-CW/USPS-T28-1.

(e)   Please confirm that the costs for those categories mentioned in parts (a), and (c) not only must increase with weight, based on your methodology, but will increase at a fairly constant rate as weight increases. (That is, the marginal increase from each one-half weight increment to the next must be roughly the same.) If you cannot confirm, please explain why costs that are distributed to weight increments on the basis of weight would not increase at a somewhat constant rate across those weight increments, as weight increases.

(f)   Do you agree that each of the other factors that impact your derived unit costs by weight increment for letters, as referred to in your response to MMA/USPS-T28-11 (a), affect the following individual cost elements differently? If not, please explain.

    (1)   mail processing;
    (2)   window service;
    (3)   delivery in-office;
    (4)   delivery route;
    (5)   deliver access;
    (6)   elementary load;
    (7)   delivery support;
    (8)   vehicle service;
    (9)   rural delivery;
    (10)   air/water transportation;
    (11)   highway/rail transpiration; and
    (12)   other weight.

(g)   For each of the factors that impact your derived unit costs by weight increment for letters, please indicate roughly how each one affects each of the individual cost elements referred to in part (f). For example, prebarcoding might affect mail processing costs, but would not affect window service, delivery or transportation costs. If you believe there is no effect, please so indicate and explain why.

(h)   What costs are included in your last category listed in part (f), "other weight"?

MMA/USPS-T28-15   Please refer to the elementary loading delivery costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   Please define elementary loading delivery costs.

(b)   Once mail has been separated by shape, please explain why you used weight as the appropriate distribution key for spreading the total elementary load delivery costs across all weight increments.

MMA/USPS-T28-16   Please refer to the mail processing costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   For mail processing costs, please confirm the following unit costs computed by dividing your derived mail processing costs by the appropriate volumes for letters. If you cannot confirm, please provide the correct unit cost figure and an explanation of how such unit cost figure is derived.

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Unit Mail Processing Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	8.56	25.05	16.49
First-Class Presort	5.93	3.49	-2.44
Standard Mail (A)	6.15	5.62	-0.53
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	25.05	16.24	-8.80
First-Class Presort	3.49	13.16	9.67
Standard Mail (A)	5.62	5.15	-0.47
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	16.24	30.49	14.24
First-Class Presort	13.16	12.49	-0.67
Standard Mail (A)	5.15	6.52	1.37

(b)   From the data provided in part (a), please explain as best you can the following:

(1)   For First-Class single piece letters, why does it cost three times as much to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs 1/3 less to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces and almost twice the cost to process a letter weighing between 1.5 and 2.0 ounces than to process a letter weighing between 1.0 and 1.5 ounces?

(2)   For First-Class presorted letters, why does it cost 40% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs almost 4 times to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces and only 5% less to process a letter weighing between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

(3)   For Standard Mail (A) letters, why does it cost 8% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs 7% more to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces, but 25% more to process a letter weighing between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

(4)   Why don't the mail processing unit costs increase at anything close to a constant rate as weight increases?

(5)   Why do First-Class presorted letters weighing between 0 and .5
        ounces cost slightly less to process than Standard Mail (A) letters of
        the same weight, and First-Class presorted letters weighing
        between .5 and 1.0 ounces cost almost 40% less to process than
        Standard Mail (A) letters of the same weight, yet First-Class
        presorted letters weighing between 1.0 and 1.5 ounces cost about
        two-and-a-half times as much as Standard Mail (A) letters of the
        same weight, and First-Class presorted letters weighing between
        1.5 and 2.0 ounces cost about twice as much as Standard Mail (A)
        letters of the same weight?

(6)   Why do First-Class single piece letters weighing between 0 and .5
        ounces cost 45% more to process than presorted letters of the same
        weight, yet First-Class single piece letters weighing between .5 and
        1.0 ounces cost more than seven times as much as presorted letters
        of the same weight?

MMA/USPS-T28-17   Please refer to the in-office city delivery costs derived
in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a)   For in-office city delivery costs, please confirm the following unit costs
        computed by dividing the sum of your derived city delivery costs by the
        appropriate volumes for letters. If you cannot confirm, please provide
        the correct unit cost figures.

In-Office Delivery Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	1.90	6.96	5.06
First-Class Presort	2.23	1.28	-0.95
Standard Mail (A)	2.48	1.80	-0.67
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	6.96	3.19	-3.77
First-Class Presort	1.28	4.55	3.27
Standard Mail (A)	1.80	1.30	-0.51
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	3.19	4.95	1.76
First-Class Presort	4.55	4.83	0.28
Standard Mail (A)	1.30	1.62	0.32

(b)   From the data provided in part (a), please explain as best you can the
        following:

(1)   For First-Class single piece letters, why does it cost almost four times as much to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs less than one-half to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces and 50% more to process a letter weighing between 1.5 and 2.0 ounces than it does a letter weighing between 1.0 and 1.5 ounces?

(2)   For First-Class presorted letters, why does it cost almost half as much to process a letter weighing between .5 and 1.0 ounces as it does a letter weighing between 0 and .5 ounces, whereas it costs more than three times as much to process a letter weighing between 1.0 and 1.5 ounces as it does a letter weighing between .5 and 1.0 ounces and about the same to process a letter weighing between 1.5 and 2.0 ounces as it does a letter weighing between 1.0 and 1.5 ounces?

(3)   For Standard Mail (A) letters, why does it cost about 25% less to process a letter weighing between .5 and 1.0 ounces than it does a letter weighing between 0 and .5 ounces, whereas it costs another 25% less to process a letter weighing between 1.0 and 1.5 ounces than it does a letter weighing between .5 and 1.0 ounces?

(4)   Why don't the in-office delivery unit costs increase at anything close to a constant rate as weight increases?

(5)   Why do First-Class presorted letters weighing between 0 and .5 ounces and .5 and 1.0 ounces cost slightly less to process than Standard Mail (A) letters of the same weight brackets, yet First-Class presorted letters weighing between 1.0 and 1.5 ounces and 1.5 and 2.0 ounces cost three times more than Standard Mail (A) letters of the same weight?

(6)   Why do First-Class single piece letters weighing between 0 and .5 ounces cost about 25% less than Standard Mail (A) letters of the same weight, yet First-Class single piece letters weighing between .5 and 1.0 ounces cost almost four times as much as Standard Mail (A) letters of the same weight, and First-Class single piece letters weighing between 1.0 and 1.5 ounces cost more than twice as much as Standard Mail (A) letters of the same weight, and First-Class single piece letters weighing between 1.5 and 2.0 ounces cost more than three times as much as Standard Mail (A) letters of the same weight?

(7)   What makes Standard Mail (A) so much less expensive to process than First-Class letters, for letters weighing between 1.0 and 2.0 ounces?

MMA/USPS-T28-18   Please refer to the transportation costs derived in library references LR-I-91A, LR-I-91B and LR-I-92 as revised.

(a) For transportation costs, please confirm the following unit costs computed by dividing the sum of your derived transportation costs by the appropriate volumes for letters. If you cannot confirm, please provide the correct unit cost figures.

Transportation Costs for Letters (Cents)			
	0 to .5	.5 to 1.0	Difference
First-Class Single Piece	0.43	0.76	0.33
First-Class Presort	0.46	0.98	0.51
Standard Mail (A)	0.10	0.22	0.12
	.5 to 1.0	1.0 to 1.5	Difference
First-Class Single Piece	0.76	1.51	0.75
First-Class Presort	0.98	1.54	0.57
Standard Mail (A)	0.22	0.37	0.15
	1.0 to 1.5	1.5 to 2.0	Difference
First-Class Single Piece	1.51	2.08	0.57
First-Class Presort	1.54	2.22	0.68
Standard Mail (A)	0.37	0.52	0.15

(b) From the data provided in part (a), please confirm as best you can the following:

(1)   Transportation costs consistently increase as weight increases, are approximately the same for First-Class nonpresorted and presorted letters, and are consistently four to five time higher than Standard Mail (A) letters. If you cannot confirm, please explain.

(2)   Transportation costs appear to increase as weight increases, and this is a result that could have been anticipated since you used weight and cube as the distribution keys for these transportation costs. If you cannot confirm, please explain.

(3)   The other factors that your response to Interrogatory MMA/USPS-T28-11 (a) suggested might impact the derived unit costs in your analysis in fact have absolutely no effect on your derived unit transportation costs.

MMA/USPS-T28-19   Please refer to your response to Interrogatory MMA/USPS-T28-11 (e) and (f). There you state, in part, that "[t]he impact on the
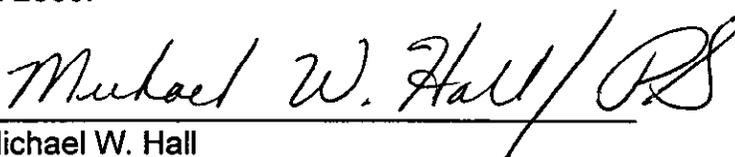
cost of processing these [First-Class and Standard Mail (A)] pieces can be found in the testimony of witness Miller (USPS-T-24 Appendix I-1)."

    (a)   Please explain exactly what you mean in terms of the "impact on the cost of processing" as it relates to USPS witness Miller's testimony.

    (b)   Did you mean to imply that USPS witness Miller provides the "impact on the cost of processing" of First-Class presort letters by weight increment? Please explain.

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, 26, and 27 of the Commission's Rules of Practice.

Dated this 23rd day of March 2000.

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Michael W. Hall