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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS YACOBUCCI TO INTERROGATORIES OF ASSOCIATION FOR POSTAL COMMERCE (PostCom/USPS-T25—6-8)

The United States Postal Service hereby provides the responses of

witness Yacobucci to the following interrogatories of the Association for Postal

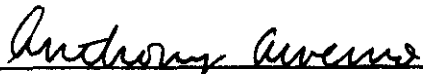Commerce: PostCom/USPS-T25—6-8, filed on March 13, 2000.

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 27, 2000

PostCom/USPS-T25-6. Please refer to witness Kingsley's response to
Postcom/USPS-T10-2, which states, "Barcoded sack labels, which allow more
efficient sack handling, are required for flat automation mailings in sacks."

      (a)   Please provide the productivity for handling sacks that have
barcoded sack labels.

      (b)   Please provide the productivity for handling sacks that do not
have barcoded sack labels.

      (c)   Please quantify the impact of the more efficient handling of
sacks with barcoded sack labels on the automation cost differential for
Standard (A) Regular 3/5-digit flats. Please provide all underlying
calculations in an electronic spreadsheet.

      (d)   Please quantify the impact of the more efficient handling of
sacks with barcoded sack labels on the automation cost differential for
Standard (A) Regular Basic flats. Please provide all underlying
calculations in an electronic spreadsheet.

RESPONSE:

a. - b. It is my understanding that the Postal Service does not measure separate

productivities for sacks with barcoded sack labels and for sacks without

barcoded sack labels. Please refer to USPS-T-26, Attachment A, page 3

for an average sack sorter productivity of 428.2 sacks per workhour.

c. - d. It is my understanding that any potential impact on isolated barcode-

related savings due to the handling of sacks with barcoded sack labels

and of sacks without barcoded sack labels cannot be quantified due to the

lack of necessary and sufficient data. Such data include, but are not

limited to, the percentage of sacks with barcoded sack labels for flat

nonautomation mailings, the sack sorting machine productivity for sacks

with barcoded sack labels, the sack sorting machine productivity for sacks

without barcoded sack labels, and the pertinent mailflow of sacks.

Any potential impact from deaveraging sack sorting machine costs

between barcoded and nonbarcoded flats may be lessened by the amount

of sacks with barcoded sack labels for flat nonautomation mailings, by any averaging of isolated barcode-related cost savings for sacked mail with isolated barcode-related cost savings for palletized mail, and by the relative magnitude of sack sorting machine costs.

Sack sorting machine costs account for the following percentages of the total mail processing CRA unit costs. These percentages are derived using data from the worksheet entitled *'CRA Cost Pools'* in USPS LR-I-90, Flats Mail Processing Cost Model. The percentages' numerators are the sum of the costs of the BMCS SSM and MODS 13 1SACKS_M cost pools and the percentages' denominators are the total costs.

First-Class	0.80%
Periodicals Regular	1.94%
Periodicals Nonprofit	2.09%
Standard Mail (A) Regular	1.16%
Standard Mail (A) Nonprofit	1.34%

These percentages suggest that any potential impact from deaveraging sack sorting machine costs between barcoded and nonbarcoded flats may be of relatively less consequence than, say, the impact of deaveraging flat sorting machine costs.

PostCom/USPS-T25-7. Please refer to witness Kingsley's response to
Postcom/USPS-T10-2(a), which states: "Yes, I am told that any differences in
address quality, to the extent that they have an effect on costs, would be among
the factors that cause automation and non-automation mail to have different
accept rates with subsequent processing of rejects in operations with lower
productivity." Further, please refer to witness Kingsley's response to
Postcom/USPS-T10-3(f), which states: "Assuming the Zip Code is correct, we
may be unable to sort to the correct carrier, post office box, or to the correct
recipient. If the mailpiece is then undeliverable as addressed, then, depending
upon class, the disposition of the mailpiece incurs more costs if it must be
returned to the sender."

     (a)   Please confirm that while the flats cost model (LR-I-90) does
model some of the costs of poor address quality, it doesn't model all costs
of poor address quality. If not confirmed, please explain.

     (b)   Please confirm that the flats cost model does not model the
added cost of handling undeliverable as addressed mail. If not confirmed,
please explain.

     (c)   Please describe all other costs of poor address quality that
are not modeled in the flats cost model.

     (d)   Please quantify the impact of differences in address quality
between non-automation flats and automation flats on the automation cost
differential for Standard (A) Regular 3/5-digit flats. Please provide all
underlying calculations in an electronic spreadsheet.

     (e)   Please quantify the impact of differences in address quality
between non-automation flats and automation flats on the automation
differential for Standard (A) Regular Basic flats. Please provide all
underlying calculations in an electronic spreadsheet.

RESPONSE:

a. - b. Not confirmed. Though USPS LR-I-90 does not explicitly decompose

every imaginable mail processing activity, it does adjust modeled unit

costs using CRA costs that comprise *all* flats mail processing costs.

Hence, the analysis takes into account any mail processing costs caused

by poor address quality, including any mail processing cost of handling

undeliverable as addressed mail. To the extent that poor address quality

is not explicitly modeled and to the extent that it increases costs within the

worksharing-related CRA cost pools, it will increase the proportional CRA
adjustment factor, which ultimately increases any cost differences.

c.   As discussed in my response to subparts (a - b) of this interrogatory, the
        cost model considers all flats mail processing costs. Hence, there are no
        costs of poor address quality that are not accounted for.

d. - e. USPS LR-I-90 does not quantify the isolated impact of individual factors
        on the isolated barcode-related savings.

        Further, it is not certain what the degree of differences is in address
        quality between barcoded and nonbarcoded flats. Please refer to witness
        Kingsley's response to interrogatory PostCom/USPS-T10-3 (e).

PostCom/USPS-T25-8. Please refer to LR-I-90, worksheet "Productivities."

(a)   Please confirm that the flats cost model assumes that the productivity of an AFSM 100 processing barcoded flats is approximately 80 percent higher than the productivity of an AFSM 100 processing nonbarcoded flats. If not confirmed, how much higher is the AFSM 100 productivity for processing barcoded flats?

(b)   Please confirm that your model assumes that the productivity of an FSM 881 processing barcoded flats is the same as its productivity for sorting nonbarcoded flats. If not confirmed, please explain.

(c)   Please confirm that the source of these assumptions is USPS operations. If not confirmed, please explain.

(d)   All else being equal, please confirm that if the productivity difference between processing barcoded flats and nonbarcoded flats increases, the automation cost differential should increase as well. If not confirmed, please explain.

RESPONSE:

a.   Confirmed. The model assumes that the average barcoded flat would be processed on an AFSM 100 effectively staffed by 5 people whereas the average nonbarcoded flat would be processed on an AFSM 100 effectively staffed by 9 people. These differences are due to the presumed staffing of and the relative use of the video coding system.

b.   Confirmed. Please see my response to interrogatory MPA/USPS-T25-3.

c.   Confirmed. Any comparison of these productivity assumptions is not necessarily on an "apples to apples" basis. The video coding system on the AFSM 100 is a feature that does not exist on the FSM 881.

d.   Confirmed. Further, all else being equal, if the productivity difference between processing barcoded flats and nonbarcoded flats *decreases*, then the automation cost differential should decrease as well.

DECLARATION

I, David Yacobucci, declare under penalty of perjury that the foregoing

answers are true and correct, to the best of my knowledge, information, and belief.

_____
DAVID YACOBUCCI

Dated: _____3/27/00_____

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.

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