

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

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
AMERICAN BANKERS ASSOCIATION &
NATIONAL ASSOCIATION OF PRESORT MAILERS
WITNESS CLIFTON
(USPS/ABA&NAPM-T1-1-24)

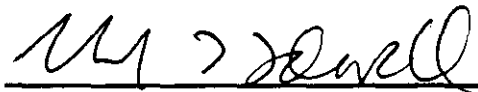
Pursuant to rules 25 and 26 of the Rules of Practice and Procedure, the United States Postal Service directs the following interrogatories and requests for production of documents to ABA&NAPM witness Clifton: USPS/ABA&NAPM-T1-1-24.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

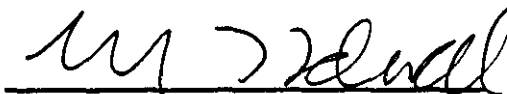
Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Michael T. Tidwell

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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May 31, 2000

USPS/ABA&NAPM-T1-1.

On page i of the Executive Summary of your testimony, you state,

"My refined USPS methodology has a proportional adjustment factor very close to one, indicating a strong correspondence between my CRA cost pool classifications and USPS modeled costs by First Class worksharing rate category."

In addition to comments made on pages 26 and 27 of your testimony, this comment seems to indicate that it is your opinion that a CRA proportional adjustment factor which is very close to, or equal to, 1.00 is an indication that a cost model is accurate. Please confirm that, in your opinion, accurate cost models would result in CRA proportional adjustment factors very close to, or equal to, 1.00. If you do not confirm, please explain why.

USPS/ABA&NAPM-T1-2.

The "worksharing related proportional" cost pools for the "automation non-carrier route presort letters" CRA category (USPS-T-24, Appendix I, page I-9) in witness Miller's testimony consist solely of those tasks that were actually modeled. The one exception is the "/LSM" cost. The proportional cost pool classification adjustments you show in Table Three and discuss on page 31 lines 14-15 of your testimony also introduce additional proportional cost pools representing tasks that are not contained in the mail flow models.

- (a) Please explain why you would expect a CRA proportional adjustment factor to be very close to, or equal to, 1.00 when comparing a "model cost" for a given set of tasks, to a CRA "worksharing proportional cost" that includes costs above and beyond those modeled tasks.
- (b) If the CRA proportional adjustment factor were very close to, or equal to, 1.00, please explain why the cost model would be considered accurate given that the tasks covered by the models and the CRA proportional cost pools are not identical.

USPS/ABA&NAPM-T1-3.

On page 3, lines 18-20 of your testimony, you assert that the Postal Service's First-Class Mail rate proposals "can only lead to an acceleration in electronic diversion or to a reduction in the private sector's desire to participate in worksharing."

- (a) Have you conducted any studies, market research, or do you have any qualitative evidence, which indicates that First-Class Mail presort or prebarcoded mail would migrate to electronic alternatives if First-Class Mail worksharing discounts were maintained at their current levels, as proposed by the Postal Service in this docket? If so, please provide the results and all underlying data and documentation pertaining to such studies and market research.
- (b) If not, please explain in full the basis for your assertion?

USPS/ABA&NAPM-T1-4.

In this docket, the Postal Service has proposed a first-ounce rate of 34 cents for First-Class single piece letters. This represents a 3.03% increase from the current 33 cent rate. On page 3 of your testimony, at lines 25-26, you state that you propose "modest increases in worksharing discounts." The rate proposals you present are as follows:

<u>Rate Category</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>% Increase</u>
Auto Basic	27.0 cents	27.4 cents	1.48%
Auto 3-Digit	26.1 cents	26.2 cents	0.38%
Auto 5-Digit	24.3 cents	24.5 cents	0.82%

Please explain why the percent increases for these worksharing rate categories should be half (and often much less than half) of the Postal Service's proposed first-ounce rate increase for First-Class Mail single-piece letters.

USPS/ABA&NAPM-T1-5.

On page 15 of your testimony, in Figure 4, you attempt to show the results from both Docket No. R97-1 and Docket No. R2000-1 using the Docket No. R2000-1 methodology.

- (a) Please describe the specific changes you made to the Docket No. R97-1 data in order to construct the "consistent methodology" numbers included in your Figure 4.
- (b) Did you recalculate the Docket No. R97-1 CRA mail processing unit cost numbers in order to separate the "nonautomation presort letters" mail processing unit costs from the "automation non-carrier route" mail processing unit costs, as witness Miller did in this docket?

- (c) Did you apply witness Miller's mail flow model and cost spreadsheets to the Docket No. R97-1 data?
- (d) If you did not perform the tasks described in subparts (b) and (c), please explain how the data in Figure 4 in your testimony represent a "consistent methodology" between Docket No. R97-1 and Docket No. R2000-1.

USPS/ABA&NAPM-T1-6.

On page 16 of your testimony, in Figure 5, you attempt to show the results from both Docket No. R97-1 and Docket No. R2000-1 using the Docket No. R97-1 methodology.

- (a) Please describe the specific changes you made to Docket No. R2000-1 data in order to construct the "consistent methodology" numbers included in your Figure 5.
- (b) Did you recalculate the Docket No. R2000-1 CRA mail processing unit cost numbers in order to combine the "nonautomation presort letters" mail processing unit costs and the "automation non-carrier route" mail processing unit costs into the "non-carrier route presort letters" mail processing unit cost, as witness Hatfield did in Docket No. R97-1?
- (c) Did you apply witness Hatfield's mail flow model and cost spreadsheets to the Docket No. R2000-1 data?
- (d) If you did not perform the tasks in parts (b) and (c), please explain how the data in your Figure 5 represent a "consistent methodology" between Docket No. R97-1 and Docket No. R2000-1.

USPS/ABA&NAPM-T1-7.

On page 18 lines 18-19 of your testimony, you state that "it is still not clear that bulk metered mail is an actual, real world mail stream..."

- (a) Please list all postal facilities at which you have observed any metered letters and/or Bulk Metered Mail (BMM) letters operations at postal facilities? Please provide the date and approximate time of day during which you made these observations. Please indicate the specific mail processing operations (including MODS operations numbers) observed. In addition, please provide copies of any notes you may have taken during or in relation to these observations.

- (b) Have you made any attempt to collect data in order to determine whether BMM letters do, or do not, exist? If so, please provide all data and state what conclusion you have reached.

USPS/ABA&NAPM-T1-8.

On page 20 lines 27-28 you express concern regarding the Postal Service's use of the nonautomation presort letters delivery unit costs (5.479 cents) as a proxy for the BMM letters delivery unit costs.

- (a) Please confirm that metered First-Class Mail letters which do not currently qualify for a discount are a subset of the First-Class single-piece letters rate category.
- (b) Please confirm that First-Class Mail BMM letters which do not currently qualify for a discount assuming such letters exist, are a subset of the First-Class Mail single-piece letters rate category.
- (c) Please confirm that the worksharing related savings for the nonautomation presort letters rate category, as measured in:
 - (i) LR-I-147;
 - (ii) witness Miller's testimony (USPS-T-24); and
 - (iii) your testimony (ABA&NAPM-T-1)would have decreased by 0.117 cents (5.479 cents - 5.362 cents), had the delivery unit costs for average single-piece letters (5.362 cents) been used as the delivery unit cost proxy for BMM letters.
- (d) Please confirm that the worksharing related savings for the automation basic presort letters rate category as measured in:
 - (i). LR-I-147,
 - (ii) witness Miller's testimony (USPS-T-24), and
 - (iii) your testimony (ABA&NAPM-T-1)would have decreased by 0.117 cents (5.479 cents - 5.362 cents) had the delivery unit costs for average single-piece letters (5.362 cents) been used as the delivery unit cost proxy for BMM letters.

USPS/ABA&NAPM-T1-9.

- (a) Please confirm that in Table 2 on page 25 of your testimony, you classify the Docket No. R97-1 cost pools as either "worksharing related proportional" or "worksharing related fixed."

- (b) Please confirm that in his Docket No. R97-1 testimony (USPS-T-25, page 10, lines 17-20), witness Hatfield stated, "The proportional component represents the mail processing costs that are related to worksharing activities and the fixed component represents the costs that are not related to worksharing activities."
- (c) Please confirm that, by witness Hatfield's definition, "fixed" cost pools are not worksharing related.
- (d) Please explain why your Table 2 classifies the "fixed" (witness Hatfield's terminology for non-worksharing related costs) Docket No. R97-1 cost pools as "worksharing related fixed," rather than "non-worksharing related fixed."

USPS/ABA&NAPM-T1-10.

On page 29 lines 24-28 of your testimony you discuss various costs you claim should have been included in witness Miller's worksharing related savings calculations.

- (a) Traying Activities. Please describe in detail the specific activities performed by worksharing mailers to "tray" mail and explain how these activities result in a situation where the Postal Service avoids costs.
- (b) Support Operations for Automation Machinery. Please describe the specific Postal Service "support" tasks you are referring to and explain how they relate to worksharing. Include the MODS operation numbers used for these tasks, the type of employee that performs these tasks (e.g, mailhandler, etc.), and the equipment or machinery (if required) upon which these tasks are performed.

USPS/ABA&NAPM-T1-11.

At line 5 on page 22 your testimony, you state that you use single-piece metered letters (rather than BMM letters) as the worksharing benchmark. Assume 1,000 metered letters migrate to the automation basic rate category. As a subset of the single-piece mail stream, an average of 10.74 metered letters would have been returned or forwarded (see Tr. 21/8907) before that migration. After migration, an average of 12.10 letters would have been returned or forwarded. (see Tr. 21/8907). Please explain how there could have been any worksharing related savings associated with reduced return and forwarding costs, given that the average number of returned and forwarded letters would have increased after the migration.

USPS/ABA&NAPM-T1-12.

On page 29 of your testimony, you state that education costs are currently incurred by mailers that choose to engage in worksharing.

- (a) If this mail were entered as single-piece mail, rather than workshared mail, would the Postal Service incur education costs related the presortation and prebarcoding of mail pieces?
- (b) If your answer to subpart (a) is affirmative to any degree, specifically describe the costs the Postal Service would incur. If your answer to subpart (a) is negative to any degree, please explain why these education costs should be included in the worksharing related savings.

USPS/ABA&NAPM-T1-13.

On page 37 lines 27-29 you imply that the "P" rate stamped mail pieces entered by consumers into presort bureau/MLOCR-qualified mailer collection boxes would not have to be canceled. Please assumed that stamped mail pieces must be canceled for purposes of answering the following questions.

- (a) Do presort bureaus/MLOCR-qualified mailers currently operate cancellation equipment that can be used to cancel these stamps? If so, please explain how this equipment is currently used by presort bureaus. If not, please discuss how this equipment would be integrated into presort bureau operations if it were required.
- (b) Please explain how presort bureaus/MLOCR-qualified mailers plan to deal individually with current single-piece users in the event that problems occur regarding undelivered and late-delivered mail.

USPS/ABA&NAPM-T1-14.

According to your testimony, all current single-piece mail types (e.g., CRM, machine printed/typed, and handwritten) would qualify for a "P" rate. Please confirm that your proposed "P" rate would apply to all First-Class single-piece mail types. If not confirmed, please state which mail types would qualify and which would not qualify for your proposed "P" rate.

USPS/ABA&NAPM-T1-15.

Your "P" rate proposal includes very little discussion of RBCS technology.

- (a) Please discuss, in qualitative terms, how presort bureaus/MLOCR-qualified mailers currently use RBCS technology to barcode mail pieces.
- (b) How many presort bureaus/MLOCR-qualified mailers currently have MLOCR's that have been retrofitted to ISS's (Input Subsystems)?
- (c) How many presort bureaus/MLOCR-qualified mailers currently have BCS's that have been retrofitted to OSS's (Output Subsystems)?
- (d) How many presort bureaus/MLOCR-qualified mailers currently have an RCR system?
- (e) How many presort bureaus/MLOCR-qualified mailers currently use the Letter Mail Labeling Machine (LMLM)?
- (f) Please provide the system-wide MLOCR, MLOCR-ISS, BCS (both MPBCS and DBCS), BCS-OSS (both MPBCS and DBCS), RCR, and LMLM equipment quantities for presort bureaus/MLOCR-qualified mailers.
- (g) Please provide the system-wide productivities for the individual equipment types specified in your response to subpart (f).

USPS/ABA&NAPM-T1-16.

Have you attempted to forecast the volume of First-Class single-piece mail that would migrate from Postal Service facilities to "P" rate mail entered at presort bureaus/MLOCR-qualified mailers? If so, please provide those forecasts separately for the test year and for any other future periods. Please provide all documentation underlying any such forecasts. If you have not attempted to conduct any such forecast, please explain why not.

USPS/ABA&NAPM-T1-17.

Have you attempted to estimate the number of collection boxes that presort bureaus/MLOCR-qualified mailers would require to accommodate the "P" rate mail volume? If so, please provide that estimate separately for the test year and for any other future period. If you have not attempted to develop any such estimate, please explain why not.

USPS/ABA&NAPM-T1-18.

Please see the response to ABA&NAPM/USPS-T24-9 (Tr. 21/8365-36). In that interrogatory, the ABA&NAPM expressed concern that the Postal Service could not handle the additional mail volume were presorted/prebarcoded mail which might migrate back to the Postal Service. In its response, the Postal Service discussed the Barcode Automation Model (BAM) that has been used to determine the equipment requirements by facility.

- (a) Have you conducted any analysis to determine the additional equipment that presort bureaus/MLOCR-qualified mailers would require to process "P" rate mail, especially during the volume surge that occurs during the holiday mailing season? If so, please provide the results of any such analysis, as well as any underlying data and documentation. If you have not attempted any such analysis, please explain why not.
- (b) Have you conducted an analysis of the additional facility space that would be required by presort bureaus/MLOCR-qualified mailers to house the additional equipment necessary to process "P" rate mail? If so, please provide the results of any such analysis, as well as any underlying data and documentation. If you have not attempted any such analysis, please explain why not.
- (c) Have you conducted an analysis of the additional workhours that presort bureaus/MLOCR-qualified mailers would require to process "P" rate mail? If so, please provide the results of any such analysis, as well as any underlying data and documentation. If you have not attempted any such analysis, please explain why not.

USPS/ABA&NAPM-T1-19.

Your "P" rate proposal extends a 2-cent discount to single-piece users.

- (a) Please explain the cost basis for this 2-cent discount.
- (b) Based on your response to subpart (a), please explain the pricing strategy (e.g., passthrough) associated with this discount.

USPS/ABA&NAPM-T1-20.

Assume the Courtesy Reply Mail (CRM) for a local utility migrates to "P" rate mail. Assume that CRM currently enters a Postal Service facility as collection mail, is canceled on an AFCS and sorted to the prebarcoded bins, and is routed to an outgoing primary BCS operation where it is finalized to a 5/9-digit unique

ZIP Code(s). Assume for purposes of answering this question that presort bureaus/MLOCR-qualified mailers would also have to cancel "P" rate mail.

- (a) Please confirm that if this mail were to migrate to presort bureaus/MLOCR-qualified mailers and be presorted to the automation basic level, it would likely: (i) enter the presort bureau/MLOCR-qualified mailer as collection mail; (ii) be canceled on an AFCS and sorted to the prebarcoded bins; (iii) be presorted to the automation basic level on a presort bureau/MLOCR-qualified mailer BCS; (iv) be entered at the BMEU at a local Postal Service facility; and (v) be routed to an outgoing primary BCS operation where it would be finalized to a 5/9-digit unique ZIP Code(s). If you cannot confirm, please explain fully why not.
- (b) Please explain how the process described above in subpart (a) would be more efficient than the process currently in place (as described above in the preamble) for these mail pieces.
- (c) Please confirm that if the mail described above in the preamble were to migrate to presort bureaus/MLOCR-qualified mailers and be presorted to 3-digits, it would likely: (i) enter the presort bureau/MLOCR-qualified mailer as collection mail; (ii) be canceled on an AFCS and sorted to the prebarcoded bins; (iii) be presorted to 3-digits on a presort bureau/MLOCR-qualified institution BCS; (iv) be entered at the BMEU at a local Postal Service facility; (v) and be routed to an incoming primary BCS operation where the mail would be finalized to a 5/9-digit unique ZIP Code(s). If you cannot confirm, please explain fully why not.
- (d) Please explain how the process described above in subpart (c) would be more efficient than the process currently in place (as described above in the preamble) for these mail pieces.
- (e) Please confirm that if the mail described above in the preamble were to migrate to presort bureaus/MLOCR-qualified institutions and presorted to 5-digits, it would likely: (i) enter the presort bureau/MLOCR-qualified mailer as collection mail; (ii) be canceled on an AFCS and sorted to the prebarcoded bins; (iii) be presorted to a 5/9-digit unique ZIP Code(s); and (iv) be entered at the BMEU at a local Postal Service facility. If you cannot confirm, please explain fully why not.
- (f) Please explain how this process would be more efficient than the process currently in place (as described above in the preamble) for these mail pieces.
- (g) Assume an outgoing or incoming primary sort plan contains multiple four digit add-on separations for the utility's 5-digit unique ZIP Code. Please explain how it would be more efficient for a presort bureau/MLOCR-

qualified mailer to presort this mail to 5-digits when the Postal Service would have to reprocess this mail at least one additional time in order to obtain the appropriate 9-digit separations.

USPS/ABA&NAPM-T1-21.

Please refer to your testimony at pages 35-36. In which specific 3-digit Zip Code areas are the 276 MLOCR-qualified presort bureaus located? For each such 3-digit Zip Code area, please indicate the number of MLOCR-qualified presort bureaus.

USPS/ABA&NAPM-T1-22.

Please refer to page 37 of your testimony. At lines 7-8, you indicate that "[t]he 'P' stamp could be purchased in sheets of 10, and multiples thereof, or self-stick rolls from the Postal Service or other vendors of stamps."

- (a) Please identify all "other vendors" to which you are referring.
- (b) Could "P" stamps also be purchased through USPS stamp vending machines? If not, why not?

USPS/ABA&NAPM-T1-23.

Please refer to page 38 of your testimony. At lines 17-19, you indicate that "P" rate mail "would be entered into the system in bulk, at a bare minimum prebarcoded with a basic presortation but in all likelihood presorted to 3 digits or 5 digits."

Please estimate the percentage of "P" rate mail that would presorted to

- (a) the basic level;
- (b) the 3-digit level; or
- (c) the 5-digit level

in the test year and for any other future period. For each category, indicate the proportion of mail pieces in envelopes (i) addressed by hand; (ii) addressed by typewriter or personal computer; or (iii) consisting of Courtesy Reply Mail.

Please provide and explain the basis for any estimates.

USPS/ABA&NAPM-T1-24.

- (a) Please provide a copy of all analyses, studies, records, or other communications, etc., pertaining to the conclusion at page 39 of your

testimony that "university mail processing systems that are now in place . . . could easily be adapted to processing outgoing student mail."

- (b) Please provide a copy of all analyses, studies, records, or other communications, etc., which support the assumption university mail processing systems that are now in place would be adapted to processing outgoing student mail.