

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

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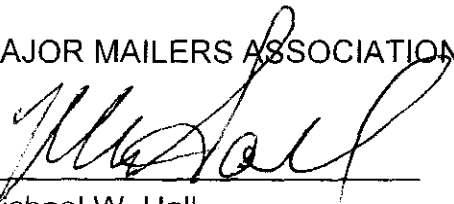
Docket No. R2000-1

**RESPONSES OF MAJOR MAILERS ASSOCIATION
WITNESS BENTLEY TO INTERROGATORIES OF
THE UNITED STATES POSTAL SERVICE**

Major Mailers Association hereby provides the responses of witness Richard E. Bentley to the following interrogatories of the United States Postal Service:
USPS/MMA-T1-7-19, filed on June 5, 2000. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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Counsel For
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Dated: Round Hill, Virginia
June 19, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have served the following interrogatory responses 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 accordance with Rule 12 of the Rules Of Practice.

Dated this 19th day of June 2000.



Michael W. Hall

USPS/MMA-T1-7

On page 2 of MMA-LR-1, you show that the measured mail processing worksharing related savings between a Metered Mail Letter (MML) and an automation basic presort letter is 5.748 cents (11.815 cents - 6.607 cents). This figure includes the savings associated with both the prebarcoding and presortation of the mail piece. If all 10,000 mail pieces in the automation basic mail flow model (MMA-LR-1, page 23) are entered in the outgoing primary operation (i.e., no presortation is performed), the mail processing worksharing related savings decreases to 4.922 cents (11.815 cents - 6.893 cents). This figure would more closely approximate the savings associated with prebarcoding only, using your cost methodology. In contrast, Exhibit KE-1A of your Keyspan testimony measures a mail processing cost avoidance between a handwritten mail piece and a prebarcoded non-presorted mail piece of 3.580 cents.

- (a) Please explain how the Keyspan cost avoidance could be so much smaller (4.922 cents - 3.580 cents = 1.342 cents) than the MMA adjusted savings given that the Keyspan benchmark includes mail that is more costly to process (handwritten mail) when compared to the MMA benchmark (MML) and both benchmarks are being compared to a prebarcoded mail piece.
- (b) Is it possible that the cost pool classification methodology used in both Docket No. R97-1 and your testimony could be overstating the savings given the difference between the Keyspan and MMA adjusted results? If your reply is no, please explain.

RESPONSE:

- (a) The comparison that you have asked me to make is not appropriate. I do not agree with your assertion that the unit cost differences that you ask me to compare "would more closely approximate the savings associated with prebarcoding only." For example, your question implies that the difference between the two prebarcoded unit costs ("nonpresorted" basic and QBRM), and the two benchmarks (MML and handwritten addressed letters) represent comparable situations. In fact, they do not. Therefore, I would not expect the two unit cost differences to be the same.

The difference between MML and “nonpresorted” basic as derived by my analysis in MMA-LR-1 reflects prebarcoding *and* mail preparation. It also reflects the difference between one unit cost derived directly from the IOCS (MML) and one derived by a theoretical mail flow model that is then reconciled to the IOCS to the extent possible. The difference between handwritten addressed letters and QBRM letters as derived by my analysis in Exhibit KE-1A reflects prebarcoding *and* different processing flows. For example, USPS witness Campbell assumed that 100% of QBRM letters processed in the incoming MMP operation would flow directly to the incoming SCF operation. A similar assumption was not made for handwritten addressed letters. The QBRM unit cost savings also reflects costs derived by theoretical mail flow models that are not directly reconciled to the IOCS. Instead they are reconciled indirectly to the IOCS because the Postal Service has not provided comparable IOCS unit costs for either handwritten addressed letters or QBRM letters.

Since my two analyses are based on those of USPS witnesses Miller and Campbell, I performed comparisons similar to the ones described in the interrogatory using their figures. The results of those analyses are shown on the attachment to this interrogatory response. Interestingly, the same pattern emerges. Mr. Miller’s unit cost difference from USPS-LR-I-162A is 5.094 cents. This compares to the 4.922 cents referenced in your question to me. Mr. Campbell’s QBRM cost savings from USPS-LR-I-160L is 3.378 cents. This compares to my cost savings of 3.580 cents. Therefore, using the Postal Service’s figures, the difference is 1.716 cents, which is even greater than the

1.342-cent difference that the interrogatory shows as the difference between the results of my two analyses (as you elected to adjust them).

- (b) No. Please see my answer to part (a). As noted above, I do not agree with the basic premise for your question: that the unit cost differences that you ask me to compare “would more closely approximate the savings associated with prebarcoding only” (emphasis in original). In addition, since my response to part (a) fully explains that different assumptions and mailflows lead to the cost savings differences you identified in your interrogatory, there is no reason to inquire whether the cost pool classification methodology used in both Docket No. R97-1 and my testimony could be “overstating the savings.” The fact that the Postal Service witnesses’ figures provide even greater differences than my method supports this conclusion. Therefore, I am not concerned if or why those unit costs are different. I am certain that the cost pool classification methodology changes presented by the Postal Service in this case understate workshare cost savings.

Attachment to USPS/MMA-T1-7(a)

Unit Cost from First-Class Worksharing Cost Savings Analysis 1/

Witness	Mail Processing Unit Costs		
	Benchmark	"Nonpresorted" Basic	Savings
Bentley	11.815	6.893	4.922
Miller	10.770	5.676	5.094

Unit Costs from QBRM Cost Savings Analysis 2/

Witness	Mail Processing Unit Costs		
	Handwritten	QBRM	Savings
Bentley	9.039	5.459	3.580
Campbell	8.078	4.700	3.378

Comparison of Unit Cost Savings From Each Analysis

Witness	Mail Processing Unit Costs		
	Workshare Savings	QBRM Savings	Difference
Bentley	4.922	3.580	1.342
Miller/Campbell	5.094	3.378	1.716

- 1/ Assumes that 100% of Automation Basic enters through the outgoing primary. The benchmark for Bentley includes mail preparation costs. The benchmark for Miller also includes preparation costs, but these costs are removed from the analysis according to his methodology.
- 2/ Assumes application of an all presort CRA adjustment factor for Bentley and nonautomation presorted CRA adjustment factor for Campbell.

USPS/MMA-T1-8

On page 16 of your testimony, you list sampling error as a reason why witness Miller's cost pool classification methodology should not be used.

- (a) Please confirm that sampling error could also be used as a means to justify not including the "non-worksharing related" cost pools in the worksharing related savings calculations. If you do not confirm, please explain why sampling error would only result in errors that understate cost savings using witness Miller's cost pool classification methodology and would never result in errors that overstate cost savings.
- (b) On page 17, you state that witness Miller cannot explain why, at the cost pool level, the costs for the worksharing CRA category are less than the BMM letters category. If, in your opinion, sampling error is truly a factor and you do not "trust" the costs at the cost pool level, why would the comparison of cost pool costs between these CRA categories have any relevance?

RESPONSE:

- (a) Not confirmed. The purpose of my testimony is to derive the cost difference between total workshare-related unit costs for the benchmark and the presort category. As I explain in my testimony on page 17, "the aggregate of costs across all functions is more accurate than the costs for each of the functions taken alone." Therefore, the sum of the lower level cost pools is more accurate than each individual cost pool taken by itself. I do not see how such an assumption implies that it is just as accurate to remove any of the cost pools. Moreover, if any of the cost pools are truly unrelated to worksharing, then the impact of including such cost pools in the analysis is nil.
- (b) For my purposes, it is not necessary to compare the individual costs at the cost pool level between the various CRA categories. Therefore, I did not do so and agree that it is not relevant for the purpose of deriving unit workshare cost savings.

The primary reason for viewing costs at the cost pool level is to categorize them as either workshare-related or workshare-fixed, as part of the method for reconciling the mail flow model derived unit costs to the IOCS system.

USPS/MMA-T1-9

Please complete a task-based justification for your cost pool classifications (for each cost pool) using an analysis similar to that performed by witness Miller in response to ABA&NAPM/USPS-T24-12.

RESPONSE:

Your interrogatory appears to misconstrue the analyses that underlie my proposal on this issue. I did not perform the analysis that you request. Such an analysis was not necessary for two reasons. First, I followed the Commission's methodology from Docket No. R97-1, to the extent possible. (Since there were some minor cost pool definition changes I could not follow exactly the Commission's cost pool classifications.) Second, the underlying assumption of my analysis is that all exogenous factors, such as for example, mail flow densities, weight, shape and local/nonlocal mix, affect each of the First-Class mail categories similarly. Therefore, it is unnecessary to remove any cost pools, even if they are not related to worksharing. If a cost pool is truly unrelated to worksharing, then the impact of including such a cost pool in the analysis is nil.

USPS/MMA-T1-10

Please confirm that the use of a "when in doubt, it is better to leave costs in the analysis" (page 19 lines 5-6) policy could overstate the worksharing related savings. If not confirmed, please explain your answer.

RESPONSE:

Not confirmed. As I state on page 18 of my testimony, "[i]f particular costs are unrelated to worksharing, as Mr. Miller claims, and the costs affect single piece and workshare letters alike, then including the cost pools in the analysis will have no impact on the derived cost differences." Therefore, leaving in costs that affect each of the First-Class rate categories in the same manner will not overstate the worksharing related savings.

It might be appropriate to remove a cost pool if the analyst is confident that the unit costs are accurate *and* he/she can provide a reasonable explanation why the unit costs for each category are different, not just that one reflects worksharing activities while another does not. When given an opportunity to do so, Mr. Miller could not.

An example may help to illustrate the principles discussed in my testimony. Mr. Miller removed platform costs from consideration in his analysis of workshare savings because he classified them as non-workshare related (fixed). That determination alone was responsible for reducing total Automation workshare cost savings by .468 cents, or 9 percent. If, as Mr. Miller apparently believes, the cost pool data are accurate, then platform costs clearly are significantly affected by worksharing activities. To illustrate this under the Postal Service's cost attribution methodology, platform costs are considerably lower for Automation workshare letters (.293 cents) than for the BMM benchmark (.761 cents). This difference is clearly significant and unexplained except

that one category is affected by worksharing and the other is not. Therefore, Mr. Miller should not have removed platform costs from his determination of workshare cost savings.

On the other hand, if costs at the cost pool level are not very accurate, as I believe could be the case, then there would be no harm in leaving such costs in since doing so will not change the derived workshare cost savings if, as Mr. Miller maintains, platform costs are not affected by worksharing. Thus, "when it doubt, it is better to leave costs in the analysis." See *also* my responses to Interrogatories USPS/MMA-T1-8 and USPS/MMA-T1-9.

USPS/MMA-T1-11

On page 21 lines 8-9 you state, "Indeed, the Postal Service cannot even confirm the existence of BMM in today's mailstream."

- (a) Have you observed any metered letters and/or Bulk Metered Mail (BMM) letters operations at postal facilities? If so, please state the facility observed, the date of observation, approximate time of day, and the operations (including MODS operations numbers) observed. In addition, please provide copies of any notes you may have taken during or in connection with 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 reached, based on any such data.

RESPONSE:

- (a) No. It is my position that BMM as defined by the Postal Service probably does not exist in today's mailstream. It should be far easier for the Postal Service to prove that BMM exists than for me to prove that it does not exist. Nevertheless, the Postal Service was unable to confirm the existence of BMM. Therefore, I do not see how an outsider such as myself could be expected to do so.
- (b) Yes. I attempted to determine whether BMM letters exist by having MMA's attorney ask specific questions of Postal Service witnesses in this case. I note that USPS witness Miller, who accepted the claim that BMM is the likely source for new presorted volumes, has not studied this matter. See TR 7/3208. Similarly, USPS witness Fronk, who also claims that BMM is the likely source for new presorted volumes, testified that the amount of BMM that is now present in the postal system is not relevant (TR 12/4844), a proposition with which I fundamentally disagree.

Furthermore, the Postal Service as an institution does not collect or maintain volume data specific to BMM letters, does not know, for example, what portion of First-Class BMM letters are prebarcoded, does not know what volume of First-Class letters was entered as BMM in the base year or the average volume per BMM mailing during that period. Nor does the Service know the extent to which BMM exists. *See* TR 21/8903-4.

USPS/MMA-T1-12

On page 11 of MMA-LR-1 you classify the cost pools as either "worksharing related proportional" or "other worksharing related fixed." In witness Hatfield's testimony (USPS-T-25, page 10, lines 17-20) in Docket No. R97-1, he stated, "[t]he 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." Therefore, by his own definition, witness Hatfield stated that the "fixed" cost pools were not worksharing related. The Commission subsequently adopted witness Hatfield's cost pool classifications. As witness Miller pointed out in his response to Docket No. R2000-1, POIR 9, Question 4:

In Docket No. R97-1, pricing witness Fronk (USPS-T-32) used the total mail processing unit costs from the testimony of witness Hatfield (USPS-T-25) to calculate the cost differences that he used as a basis for his discount proposals. The total mail processing unit costs included the "fixed" costs that witness Hatfield had stated were not related to worksharing.

As a result, I have performed the worksharing related savings calculations in my testimony and excluded the "non-worksharing related fixed" cost pools from the savings calculations. It only stands to reason that if a cost pool is classified as not being related to worksharing activities it should not have an impact on the measured savings.

Given these facts, please explain why you include the "fixed" cost pools (nonworksharing related as per the Docket No. R97-1 PRC definition) in the worksharing related savings calculations.

RESPONSE:

Contrary to your suggestion, my analysis follows the methodology employed by both the Commission and USPS witness Hatfield in Docket No. R97-1. Regardless of how Mr. Hatfield may have characterized these costs, the fact remains that neither Mr. Hatfield nor the Commission excluded those costs when deriving workshare cost savings.

Your summary of the record in Docket No. R97-1 omits the following statement by USPS witness Hatfield:

In general, nearly all of the cost pools are appropriately categorized as proportional; however, in this testimony, certain specific cost pools were

isolated as fixed because the costs would not be expected to vary with the level of worksharing. (USPS-T-25, Appendix V at 2)

USPS witness Hatfield stated that certain cost pools were not expected to vary with the *level* of worksharing. Such costs might be considered fixed, for purposes of reconciling to the IOCS data, but the fact remains they do vary with worksharing. To illustrate this under the Postal Service's cost attribution methodology, platform costs are considerably lower for Automation workshare letters (.293 cents) than for the BMM benchmark (.761 cents). This difference is clearly significant and unexplained except that one category is affected by worksharing and the other is not. Therefore, the Commission correctly included such costs in the analysis but did not adjust them with the CRA proportional factor when reconciling them to the IOCS. I have followed that same procedure in my analysis in this proceeding.

In addition, as discussed during USPS witness Miller's cross examination, in every case where cost pool differences were significant and were removed from his analysis, the data showed that workshare letters cost less. Moreover, Mr. Miller could not explain why those cost differences exists. Nor did he attempt to find out. See TR 12/3178.

USPS/MMA-T1-13

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 24 line 22 you state that you propose "modest" increases in worksharing discounts. The rate proposals you present in Table 1 on page 4 are as follows:

<u>Rate Category</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>% Increase</u>
Auto Basic	27.0 cents	27.8 cents	2.96%
Auto 3-Digit	26.1 cents	26.6 cents	2.26%
Auto 5-Digit	24.3 cents	24.8 cents	2.06%

Please explain why the percent increases for these worksharing rate categories should be less than the percent increase proposed for first-ounce single-piece letters.

RESPONSE:

I calculate the proposed percent increase for Auto 3-Digit as 1.92%, not 2.26%.

The percent increase for workshare letters should be less than the percent increase proposed for single piece letters because the implicit cost coverage, mark-up and mark-up index are so much higher for workshare letters than single piece letters. See Exhibit MMA-1B at 2A and my response to Interrogatory USPS/MMA-T1-3 (a). Even under MMA's proposed rates, the mark-up for First-Class presorted letters is about two-and-a-half times the markup for single piece letters. See Exhibit MMA-1B at 2A. Moreover, even though single piece letters receive so much more revenue for higher weight pieces than workshare letters, workshare letters still contribute more per piece to institutional costs than single piece letters do. *Id.* The Postal Service attempts to exploit workshare mail, the most profitable segment of First-Class, by artificially redefining workshare cost savings so that they appear lower, and then ignoring those empirical results when proposing rates in order to avoid operational disruptions that

would be sure to occur if significant workshare volumes reverted back to single piece status.

USPS/MMA-T1-14

On page 22 lines 5-6 you state that you use single-piece Metered Mail Letters (rather than BMM letters) as the worksharing benchmark. Assume 1,000 Metered Mail Letters (MML) 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 response to MMA/USPS-T24-14) before that migration. After migration, an average of 12.10 letters would have been returned or forwarded.

- (a) 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.
- (b) Please confirm that all parties, including single-piece mailers, that maintain accurate address records would help to minimize the costs associated with returning and forwarding UAA mail. If not confirmed, please explain.

RESPONSE:

- (a) I cannot answer the question posed in the interrogatory for at least two separate reasons. First, the assertion that 10.74 (1.074 %) of Metered Mail Letters required forwarding and return service before migration has no basis in fact. The Postal Service did report that 1.21 % of First-Class single piece letters required forwarding or return service for calendar year 1999, but that is an average figure for *all* First-Class single piece that, according to USPS witness Pafford, is not statistically accurate. See TR 21/9428. Similarly, the reported figure for presorted First-Class letters, 1.74 %, is not statistically accurate. That same ODIS data source indicated that the percent of letters forwarded and/or returned for calendar year 1998 was 1.86% for nonpresorted and 1.87% for presorted; but USPS witness Pafford could not explain why the nonpresorted percentage decreased by 35%. See TR 21/9441-42. Moreover, those

percentages do not apply to MML, a subset of nonpresorted letters. For these reasons, I cannot accept the bases for the assumption you wish me to make.

The second problem with your question is that you have asked me to make an inappropriate comparison. The worksharing savings that I measure in my testimony result from reduced forwarding and return service required within First-Class presort over time. That is, the amount of forwarding and return service has been estimated to be reduced by 2.662 percent because of the Move Update activities performed by presort mailers. The Postal Service entered into a contract with Pricewaterhouse Coopers to specifically conduct such a study. I have simply reported the results of that study. See LR USPS-I-82.

- (b) If all parties, including single-piece mailers, maintained accurate addresses, then such action would help to minimize the costs associated with returning and forwarding UAA mail. However, only presort mailers are required, as part of the entry requirements, to comply with complex regulations for maintaining accurate addresses and do so at substantial additional expense.

USPS/MMA-T1-15

On page 24 lines 10-11 you state, "Window service costs that presort mailers do not incur represent another, significant cost sparing opportunity for the Postal Service." Please confirm that all parties, including single-piece mailers, that pay for postage or buy stamps (e.g., using vending machines, consignment outlets, etc.) without the assistance of a window clerk would avoid these costs. If not confirmed, please explain.

RESPONSE:

Your interrogatory does not indicate whether these substitute services are considered attributable and/or to what cost segment, if any, the costs of such services are charged. If a mailing party does not require the services offered by a window clerk, then no variable window service costs will be incurred. I suspect there are also fixed costs associated with providing window service, for example when window clerks are idle at times no customers are present. The Postal Service offers windows service to First-Class single piece mailers, whether or not they have a specific need for that service. Presort mailers never have such a need and do not require that option.

In addition, your interrogatory fails to note the following recommendation from my testimony (MMA-T-1 at 24) on how the Commission should recognize the fact that presort mailers do not need or use window services:

I have not included window service cost savings in my derivation of workshare cost savings. Nevertheless, I urge the Commission to consider them in a qualitative sense when determining the appropriate discounts for presort mail categories.

USPS/MMA-T1-16

Throughout your testimony you make specific references to the "Commission approved" cost methodologies (e.g., page 12 line 26, page 13 lines 3-4, page 14 lines 20-21).

- (a) Do you feel that the cost methodology used to calculate the worksharing related savings in a given omnibus rate case should always conform to the "Commission approved" methodology used in the previous omnibus rate case? If your reply is not affirmative, please state in what instances the Commission's methodology should, and should not, be followed.
- (b) If a cost analyst finds errors or discovers methods to improve the accuracy of the worksharing related savings calculations, do you think that he/she has an obligation to implement these changes, even if they do not conform to the "Commission approved" methodology used in the previous omnibus rate case and may lead to results that some parties might not want to see? Please explain any negative answer.
- (c) In Section III.C (page 12) of your testimony, you discuss three changes that you made to witness Miller's cost methodology. For each change, please state whether it conforms to the "Commission approved" cost methodology from Docket No. R97-1. In addition, please state whether the change increases or decreases the worksharing related savings results when compared to the cost methodology used by witness Miller.
 1. Use of the PRC volume variability factors (page 12 lines 24-26)
 2. Use of proportional/fixed cost pool classifications (page 12 lines 1-4)
 3. Use of MML benchmark (page 13 lines 6-7)

RESPONSE:

- (a) As a general rule, the cost methodology used to calculate the worksharing related savings in a given omnibus rate case should conform to the "Commission approved" methodology used in the previous omnibus rate case. In my view, major changes, particularly those that are controversial, should be fully documented so that parties can understand and replicate the changes. An example where this was not done properly is USPS witness Miller's answer to ABA&NAPM/USPS-T24-12, where he purports to show why he chose specific cost pools to omit from his cost analysis. Presumably, he performed this

analysis prior to completing his testimony. Such important changes to the Commission's worksharing cost savings methodology should have been provided as part of his direct testimony. For each change in the "Commission-approved methodology", there should be a full explanation with complete documentation.

(b) Please see my answer to part (a). If a cost analyst finds errors, or discovers methods to improve the accuracy of the worksharing related savings calculations, then he/she should feel free to implement these changes. He/she still has an obligation to explain the reasons for those changes

(c) 1. I used the Commission's volume variability analysis presented in Docket No. R97-1, to the extent the Postal Service has successfully implemented that analysis. Mr. Miller's use of a volume variability analysis, that assumes that costs vary much less than 100% with changes in volume, reduces derived workshare cost savings.

(c) 2. I used the Commission's proportional/fixed cost pool classifications presented in Docket No. R97-1, to the extent possible. Mr. Miller's removal of several key cost pools from consideration reduces workshare cost savings.

(c) 3. I used MML rather than BMM as the benchmark for the reasons discussed on pages 19 – 22 of my testimony. The Commission used BMM as its benchmark in Docket No. R97-1. Mr. Miller's use of BMM as the theoretical benchmark reduces derived workshare cost savings.

USPS/MMA-T1-17

On page 20 lines 5-6 of your testimony you state, "But BMM letters cannot possibly account for the tremendous growth in workshare letter volume that ensued."

- (a) Please confirm that mail does not necessarily have to migrate from the single-piece mail stream in order for the First-Class worksharing letter mail volumes to increase. In other words, a large mailer that previously did not use the mail as a communications medium with its many customers can choose to do so and directly enter mail into one or more worksharing rate categories. If you do not confirm, please explain.
- (b) If First-Class worksharing rate categories were currently not available and the large mailer described in a. chose to use the mail as a communications medium with its many customers, isn't it likely that this mailer would use meter technology to pay the postage and would organize this mail in trays, if for no other reason than to maintain order when it is preparing a mailing? If you do not confirm, please explain how you would expect such a mailer to prepare and enter this mail.

RESPONSE:

- (a) Confirmed. New workshare volumes can come from existing presort mailers who grow, new mailers and from First-Class single piece. The fact that First-Class single piece mail volume has been relatively static for some time indicates to me that some portion of new presorted volumes has originated from First-Class single piece.
- (b) I do not understand how the worksharing rate categories are currently "not available". However, you have described the situation as it existed prior to establishment of the First-Class presort discount in 1977. At that time, I am sure that some mailers used meters to pay postage. In addition, mailers responsible for a small portion (perhaps 4%) of total First-Class mail volume not only prepared their mail in some sort of container (e.g. sacks), but presorted their mail as well. However, the majority of mail was not prepared in this manner.

Mailers have at least three choices to pay postage: stamps, meter imprint or permit imprint. I cannot say which choice the mailer in your example would find most appropriate. I also do not know if mailers would likely organize their letters into trays under the circumstance you describe, or whether they would take them to the post office for mailing.

USPS/MMA-T1-18

On page 23 lines 3-5 of your testimony you state, "The current rate structure gives workshare mailers no credit for the prebarcode savings these reply envelopes confer on the postal system." In this docket, witness Willette (OCA-T-7) has again proposed a 3-cent "CEM" discount that consumers could use when mailing prebarcoded reply envelopes that they receive from large mailers.

1. Is it possible for both the large mailers that generate the prebarcoded reply mail piece and the consumers that enter the prebarcoded reply mail piece as single-piece mail to both receive discounts based on some measured cost avoidance associated with the barcode? If your reply is yes, please explain.
2. Who do you think should be awarded such a discount, household consumers, the mailer that generated the mail piece, or both?

RESPONSE:

- (a) Yes, I suppose it would be possible to split the cost savings between both the mailers that distribute the reply mail letters and the consumers who return them. However, I do not recommend such a course of action.
- (b) Large presorted First-Class mailers design, purchase, print, and distribute reply envelopes according to detailed Postal Service requirements that do not apply to single piece mailers. These presort mailers work closely with Postal personnel to make sure their reply envelopes comply with the strict prebarcode guidelines. They also encourage additional, low-cost single piece volumes. The First-Class savings that result from such a program should be returned in some fashion to those presort mailers who incur substantial extra expenses to make these savings possible.

USPS/MMA-T1-19

On page 23 line 31 to page 24 line 1 you state, "Presort mailers are not responsible when their customers move or change address." Do you feel that presort mailers should be responsible for updating their mailing lists that contain these new addresses? If your reply is not affirmative, please explain.

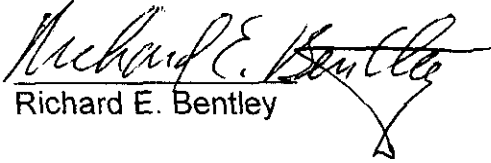
RESPONSE:

Presort mailers should try to keep their addresses as up-to-date as possible. However, that question is moot since Postal regulations require that presort mailers comply with strict Move Update requirements. As discussed by MMA witness Harrison, MMA mailers maintain addresses that are more accurate than the Postal Service's addresses. See MMA-T-2 at 10 where Ms. Harrison states:

[T]elecommunication companies' and utilities' information regarding customer moves and address changes often is much more up-to-date than information possessed by the Postal Service and more timely than the information most mailers receive. There is nothing remarkable about this state of affairs; people who move are most immediately concerned about maintaining phone service and essential utility services. Therefore, they generally are scrupulous about notifying their utility and phone service providers of address changes, often more promptly than they file change of address notifications with their local post office.

DECLARATION

I, Richard E. Bentley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.


Richard E. Bentley

Dated: June 19, 2000
Vienna, Virginia