

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

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POSTAL RATE AND FEE CHANGES, 2000

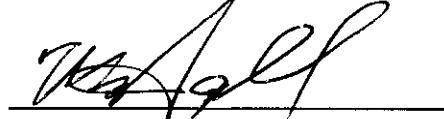
Docket No. R2000-1

**Response Of Major Mailers Association Witness Bentley  
To Interrogatory Of The United States Postal Service  
Redirected From MMA Witness Sharon Harrison**

Major Mailers Association hereby provides the response of its witness Richard E. Bentley to the following interrogatory of the United States Postal Service: **USPS/MMA-T2-5 (b)**, filed on June 7, 2000. This interrogatory was redirected from MMA witness Sharon Harrison.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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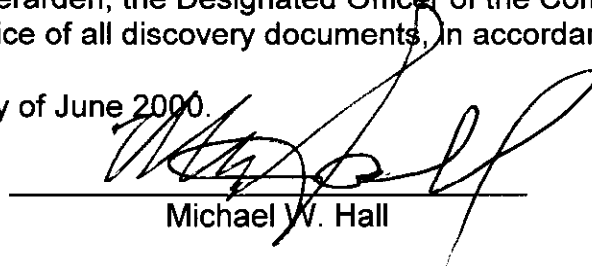
Counsel For  
Major Mailers Association

Dated: Round Hill, Virginia  
June 21, 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 21st day of June 2000.



Michael W. Hall

## USPS/MMA-T2-5

At page 6, lines 24-26 of your testimony, you state that "ACT tagging is . . . used by many mailers for airmail. This eliminates the need for USPS to perform further scanning on airmail and can . . . expedite mail through the USPS processes. Despite the additional costs that mailers incur in meeting these requirements [such as labeling of pallets and ACT tagging] are not offset by lower postal rates."

- (a) On a unit basis, please quantify the cost to mailers of each of the activities described at lines 18-26 and the impact such activity has on postal mail processing costs.
- (b) Is it your testimony that the impact of such activities on mail processing costs is not reflected in the Postal Service's estimates of First-Class Mail processing costs?

### RESPONSE:

(a) Answered by MMA witness Sharon Harrison.

(b) Yes. The impact of all the activities described by MMA witness Harrison in response part (a) is not reflected in the Postal Service's determination of workshare cost savings.

The cost-savings activities described by Ms. Harrison and performed by her company all tend to reduce postal costs. They all seem to fall into one of two cost categories: mail preparation or platform operations. As such they are not included in USPS witness Miller's derivation of workshare cost savings. He simply assumed that such activities were not related to workshare and removed them from consideration in his analysis. See, for example, USPS-LR-I-162A at I-7. There Mr. Miller categorizes such costs as "non-worksharing related (fixed)" and does not include them in the derived CRA unit costs for any of the first-class categories for which he estimates workshare cost savings.

It appears to me that all of these activities, i.e., tray labeling, pallet labeling, palletizing, stretch wrapping and ACT tagging, would be considered mail preparation activities. In addition, they all reduce platform operation costs for the Postal Service. Such costs that are borne by workshare mailers, rather than the Postal Service, represent cost savings that Mr. Miller should, but does not, reflect in his cost savings

analysis. He simply assumes that the mail preparation costs for Bulk Metered Mail (BMM), his benchmark, are zero. He assumes such mail is presented to the post office faced and in trays. He makes no assumptions about BMM being prepared in pallets or mailers providing and attaching labels to both trays and pallets; nor does he account for the fact that mailers even prepare their mail in pallets; or that they stretch-wrap those pallets. He assumes nothing about ACT tagging as well.

In fact, USPS witness Miller did not study this issue as all. At TR 7/3149 he admits that:

I am not really an expert on presort mailers so I wouldn't know the answer to questions in terms of what they do prior to entering their mail at a postal facility.

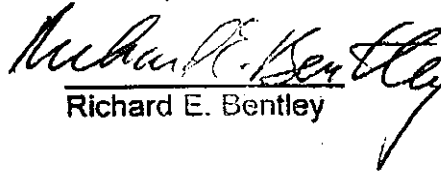
These activities as described by Ms. Harrison also facilitate the handling of large volumes of mail during platform operations. Rather than having to transport trays separately, the palletizing of "presorted" and properly labeled trays on pallets certainly reduces handling costs for the Postal Service. This perhaps explains some of the cost difference of .65-cent difference between BMM and Automation letters that Mr. Miller noted but chose to ignore. See my response to USPS/MMA-T1-12. Mr. Miller ignored another .3-cent difference resulting from mail preparation activities. See TR 7/3147. Such savings are clearly workshare related.

Finally, Ms. Harrison's list of mail preparation activities routinely required by workshare mailers further supports my contention that BMM is not an appropriate benchmark from which to measure cost savings. BMM, if it even exists, has no such requirements. Mr. Miller simply assumes that such pieces are brought to the post office in trays. However, trays of BMM are not labeled. The trays of BMM are not sorted. The trays of BMM are not placed onto pallets. And the pallets are not stretch-wrapped. Nor are ACT tags applied to a sleeved tray of BMM.

These activities that mailers are required to perform also illustrate the extent to which mailers will voluntarily perform worksharing. MMA mailers are continually negotiating with local postal officials, who keep on placing (and shifting) more cost burdens upon them. These worksharing activities are hardly voluntary; they effectively are required in order for mailers to qualify for the workshare discounts. This contrasts with USPS witnesses who assume that BMM mailers will voluntarily pack and face their letters into unlabeled trays and deposit them at a local post office. Moreover, local postal officials often administer these "requirements" inconsistently while the Postal Service in this case then fails to properly recognize the benefits of such activities or compensate workshare mailers for bearing these extra costs. Such actions are fundamentally unfair to affected mailers and should not be accepted by the Commission. Consequently, as I state on page 11 of my testimony, "[T]he Commission should nurture this mutually beneficial relationship by increasing presort discounts rather than reducing them in real terms as the Postal Services proposes."

**DECLARATION**

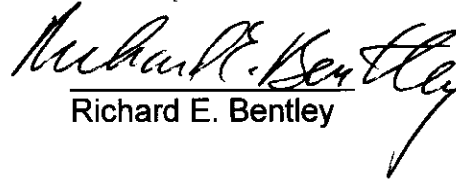
I, Richard E. Bentley, declare under penalty of perjury that the foregoing answers are true and correct to the best of my knowledge, information, and belief.

  
Richard E. Bentley

Dated: June 21, 2000  
Vienna, Virginia

**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 21, 2000  
Vienna, Virginia