

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

Docket No. R2001-1

**Major Mailers Association's First Set Of Interrogatories And Document
Production Requests To USPS Witness Maura Robinson**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Maura Robinson: **MMA/USPS-T29-1-13**. 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: 

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Dated: Round Hill, VA
October 26, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with the Commission's Rules of Practice.

Dated this 26th day of October 2001.


Michael W. Hall

Major Mailers Association's First Set Of Interrogatories And Document
Production Requests For USPS Witness Maura Robinson

MMA/USPS-T29-1 Please refer to footnote 6 on page 10 of your Direct
Testimony.

- A. Please fully explain the unique circumstances surrounding the Docket No. R2000-1 rates, as proposed by the Postal Service, recommended by the Commission, and modified by the Governors.
- B. Is it your understanding that these unique circumstances no longer exist? Please explain your answer.
- C. Are the unique circumstances that you refer to still present in this case? If so, how did you account for these circumstances, if at all? If not, how did you adjust your recommendations to counter these circumstances?

MMA/USPS-T29-2 Please refer to your Direct Testimony on page 11 where you point out that notwithstanding USPS witness Miller's derived cost savings, you recommend that the workshare discounts be increased.

- A. Historically, has the Postal Service in rate cases recommended First-Class discounts that are higher than the alleged cost savings that its witnesses have estimated? Please explain your answer.
- B. Historically, has the Postal Service in rate cases predicted that the alleged cost savings that its witnesses have estimated would decrease in the future? Please explain your answer.
- C. Historically, has the Commission in rate cases found that the alleged cost savings that the Postal Service's witnesses have estimated were understated? Please explain your answer.

MMA/USPS-T29-3 Please refer to page 11 of your Direct Testimony where you discuss reasons for proposing automation discounts that are greater than the cost savings. One reason you give is that USPS witness Miller's cost savings estimates may not reflect factors such as mail characteristics or additional activities that mailers perform that the Postal Service does not.

- A. Please describe all mail characteristics that automation letters possess that Mr. Miller's cost savings estimates may not reflect.
- B. Please describe the additional activities that mailers perform that the Postal Service does not, but which provide a benefit to the Postal Service and cannot be "avoided"?

- C. Please indicate how you have taken into account these factors in developing your specific automation rate proposals.

MMA/USPS-T29-4 Please refer to pages 11-12 of your Direct Testimony where you discuss the high implied cost coverage for First-Class workshare letters. Please also refer to footnote 7 on page 12, which discusses the implied cost coverage using the PRC costing method.

- A. In evaluating your proposed rates, did you take into account the increasing cost coverage that First-Class workshare letters have been forced to bear? Please explain your answer.
- B. Please explain why you believe it is necessary to require workshare mailers to attain a cost coverage that increases from 237.1 percent in Docket No. MC95-1 to your proposed 267 percent. Please explain your answer.
- C. Did you perform any kind of analysis that compares historic cost coverages for First-Class workshare letters over time? If so, please provide the results of such an analysis.
- D. Is there a level at which you would find that a target cost coverage is simply be too high to recommend for First-Class workshare letters? If so, please provide that level. If not, why not?

MMA/USPS-T29-5 Please refer to page 12 of your Direct Testimony where you discuss the Postal Service's concern about the rate impact on customers that have played such an important part to the success of the automation program. Based on Mr. Tolley's conclusion that First-Class workshare letters are highly inelastic, i.e., have a price elasticity of just -.07 (USPS-T-7, page 57), why do you share the Postal Service's concern for such a rate impact.

MMA/USPS-T29-6 On page 13 of your Direct Testimony you state that "[as] efforts to encourage worksharing are successful, avoided costs appear to decline."

- A. What is the basis for this statement? Please provide copies of all studies or other documents you reviewed in arriving at that conclusion.
- B. Are you aware that First-Class workshare mailers have recently been requested to sort pallets of automation letters onto trucks so that those trucks may bypass intermediate USPS facilities and go directly to postal service hub and spoke facilities and/or airports? If no, please explain.
- C. How does a practice by mailers, such as that described in Part B, cause USPS avoided costs to decline?

MMA/USPS-T29-7 On pages 13-14 and 16-18 of your Direct Testimony you discuss your proposal to modify the current nonstandard surcharge by extending it to include mail that is nonmachinable and renaming it the “nonmachinable surcharge.”

- A. How will the Postal Service handle a single piece letter that is nonmachinable because the handwritten address is too messy to be read, but pays no surcharge? Please explain.
- B. How will the Postal Service handle a single piece letter that is nonmachinable because the envelope is too dark leaving too little contrast for the envelope to be read by an OCR, but pays no surcharge? Please explain.
- C. How will the Postal Service handle a letter that is nonmachinable because the paper is too flimsy to successfully be sorted by automation, but pays no surcharge? Please explain.

MMA/USPS-T29-8 On page 14 of your Direct Testimony you state that anything less than a 3-cent increase in the basic First-Class single piece rate would impose unreasonably large rate increases on other classes and, conversely, anything more than a 3-cent increase would unfairly relieve other mail classes of their fair share of the institutional cost burden. Please provide any studies or analyses that you reviewed before arriving at these conclusions.

MMA/USPS-T29-9 On page 18 you indicate that, according to USPS witness Miller, nonstandard First-Class single piece letters cost the Postal Service an additional 24 cents per piece. Please explain the rationale for increasing the nonstandard surcharge by just one cent so that the surcharge recovers only about 50% of the additional cost.

MMA/USPS-T29-10 Please explain all postal charges to mailers associated with the Postal Service’s planet code program.

MMA/USPS-T29-11 On page 22 of your Direct Testimony you discuss the current rate incentive for mailers to “split” mailings and reduce density to avoid a mandatory AADC sort.

- A. Please describe the severity of this problem in the market place.
- B. Are you aware that the current rate structure provides an incentive that makes it less costly for First-Class mailers (and more costly to the Postal Service) to split one mailing that combines an invoice with advertising matter into two separate mailings consisting of 1-ounce letters mailed at First-Class automation rates and separate letters (weighing up to 3.5

ounces) to the same address at Standard automation rates? Please explain your answer.

C. Please describe the severity of the problem suggested in part B to this interrogatory.

D. Does the Postal Service have any plans to rectify the problem suggested in part B to this interrogatory? Please explain your answer.

MMA/USPS-T29-12 Please refer to page 25 of your Direct Testimony where you discuss the additional ounce rate reduction for presorted First-Class letters. You indicate that you relied on the additional ounce cost study, "in the aggregate", as the basis for your proposal. You also note that workshare mailers can better understand a more complicated rate structure than the general public.

A. Please describe specifically, what you mean by "in the aggregate".

B. Did you, in any way, use as a basis for this proposed rate the cost results from that study that estimated the incremental costs by each ounce increment? Please explain your answer.

C. Do you believe that First-Class workshare mailers could understand a rate structure that charges different amounts for different weight increments? Please explain your answer.

MMA/USPS-T29-13 Please refer to pages 15 and 25 of your Direct Testimony where you discuss the additional ounce rates for First-Class single piece and presorted mail. Please also refer to Library Reference USPS-LR-J-105 that derives costs separately for First-Class letters, flats and SPRs.

A. Do you agree that, for First-Class single piece mail weighing under 3 ounces, the most important cost driver is shape? Please explain your answer.

B. If your answer to part A is yes, do you agree that the current First-Class single piece rate structure that charges the same amount per ounce, independent of shape, fosters significant cross subsidization of flats and SPRs by letters that weigh:

1. under 1 ounce;
2. between 1 and 2 ounces; and
3. between 2 and 3 ounces.

Please explain your answer.

- C. Has the Postal Service ever considered shape-based rates for First-Class single piece, aside from the nonstandard/nonmachinable surcharge? Please explain and provide copies of any studies or other documents in which this matter was discussed.
- D. If your answer to part C is yes, please explain how the Postal Service considered charging for the second and third ounces of a letter.
- E. Please confirm that the Postal Service has instituted a shape-based rate structure for First-Class presorted mail within its automation categories. If you cannot confirm, please explain.
- F. Assuming your answer to Part E is yes, please explain the rationale for instituting a shape-based rate structure within the automation categories of presorted First-Class mail.