

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, 2001

Docket No. R2001-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS SMITH TO INTERROGATORIES OF
MAJOR MAILERS ASSOCIATION
MMA/USPS-T22-5 (C) and (D), and 7(C)

The United States Postal Service hereby provides the responses of witness Smith to the following interrogatories of Major Mailers Association: MMA/USPS-T22-5(C) and (D), and 7(C) filed on October 17, 2001. These interrogatories were redirected to witness Smith from witness Miller.


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



Frank R. Heselton

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October 31, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SMITH TO
INTERROGATORIES OF THE MAJOR MAILERS ASSOCIATION
REDIRECTED FROM WITNESS MILLER**

MMA/USPS-T22-5 Please refer to footnote 16 on page 7 of your Direct Testimony where you indicate that cost savings due to additional automation technology may or may not be offset by increases in wage rates for processing metered letters.

- A. Please describe in detail the "cases" in which you claim that increased wage rates do not appear to have offset the impact that letter recognition enhancement programs have had on worksharing related savings.
- B. Have you tested your conclusion that cost differences between prebarcoded, machine printed, and handwritten letters are likely to decrease over time? If yes, please provide the results of this analysis. If no, please explain why not.
- C. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters for each year from FY 1998 until TY 2003.
- D. Please provide separate unit mail CRA processing costs for First-Class single-piece and metered letters, adjusted for wage rate increases, for each year from FY 1998 until TY 2003.

RESPONSE:

Parts A and B are answered by witness Miller.

- C. The available costs provided in the Attachment. No projections of processing costs by shape have been made for FY 2001 and FY2002.
- D. The available costs provided in the Attachment. See the response to part C.

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Mail Processing Unit Costs for First-Class Single-Piece Letters:
All Indicia And Metered
(Cents)

FY	Cost-Per-Piece	
	Unadjusted	Wage Adjusted to FY1998
All Indicia	1998	11.65
	1999	11.10
	2000	10.63
	2003	9.99
Metered	1998	10.15
	1999	9.66
	2000	9.31
	2003	8.76

	Wage Rate	Source
Mail Processing - aggregated		
1998	\$24.880	LR-I-11*
1999	\$25.881	USPS-I-421 (FY99 update)*
2000	\$27.066	USPS-J-50, Chapter 9B
2003	\$30.767	USPS-J-50, Chapter 9B

FY	Sources for Unadjusted Costs per Piece
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All Indicia	1998	Testimony of Witness Smith, USPS-T-21, Attachment 17, Page 1*
	1999	USPS LR-I-464, spreadsheet "SP99USPS.xls" *
	2000	USPS LR-J-46, spreadsheet "shp00usps.xls"
	2003	Testimony of Witness Smith, USPS-T-15, Attachment 15, Page 1
Metered	1998	Testimony of Witness Smith, USPS-T-21, Attachment 17, Page 2*
	1999	USPS LR-I-464, spreadsheet "SP99USPS.xls" *
	2000	USPS LR-J-46, spreadsheet "shp00usps.xls"
	2003	Testimony of Witness Smith, USPS-T-15, Attachment 15, Page 2

*Docket No. R2000-1.

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MMA/USPS-T22-7 On page 9 of your Direct Testimony you indicate why you have modified the classification of two cost pools, namely 1suppf1 and 1suppf4.

- A. Please confirm that these two cost pools, when combined, cost metered letters and automation letters .4428 and .1011 cents, respectively. If you cannot confirm, please explain.
- B. Please confirm that your data shows that, for these two cost pools, meter letters cost .3417 cents more than automation letters. If you cannot confirm, please explain.
- C. Please explain fully why metered letters cost on average more than 1/3 of a cent more than automation letters for these two cost pools.
- D. Please confirm that, in its Docket No. R2000-1 Opinion (PRC LR-18) the Commission found that the 1suppf1 and 1suppf4 cost pools combined were found to be .2926 cents for metered letters and .1217 cents for automation letters, indicating a "fixed" difference of .1709 cents. If you cannot confirm, please explain.
- E. In Library Reference USPS LR-J-84, p. 8, your analysis is duplicated using the PRC cost methodology. Please explain why the cost pools for 1suppf1 and 1suppf4 are each zero.

RESPONSE:

Parts A and B are answered by witness Miller.

- C. The overall cost difference (roughly 1/3 cents) between metered letters and automation letters on these two support cost pools reflects the combination of labor costs, premium pay and piggyback costs. However, since the premium pay factors are pretty close for First-Class single piece and presort, and since the piggyback factors are almost the same for both cost pools, the difference in cost is almost entirely due to the difference in labor costs.

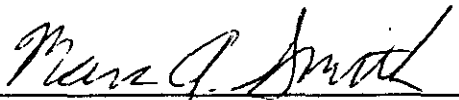
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The labor costs per piece for these two cost pools for the categories of metered letters and automation letters are dependent on the distribution of labor cost in MODS mail processing and MODS window costs for the metered letters and automation letters categories. As explained by witness Van-Ty-Smith, USPS-T-13 at page 15, the distribution key used for these two cost pools is the subclass shares of volume-variable costs in the supported operations. The operations supported by the work associated with these two cost pools are MODS mail processing and MODS window service operations. Witness Van-Ty-Smith provides the calculation of these labor costs for these two support cost pools, for metered letters and automation letters, in USPS LR-J-55, parts II and III.

Parts D and E are answered by the Postal Service.

DECLARATION

I, Marc A. Smith, hereby declare, under penalty of perjury, that the foregoing Docket No. R2001-1 interrogatory responses are true to the best of my knowledge, information, and belief.




Marc A. Smith

10/31/01
Date

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.



Frank R. Heselton

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