

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
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION
MMA/USPS-T22-6 (B) and (C), 7(D) and (E), and 8

The United States Postal Service hereby provides its responses to the following interrogatories of Major Mailers Association: MMA/USPS-T22-6(B) and (C), 7(D) and (E), and 8, filed on October 17, 2001. These interrogatories were redirected to the Postal Service 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



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October 31, 2001

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

MMA/USPS-T22-6 On page 7 of your Direct Testimony you state that postal automation technology "could also result in worksharing related savings estimates that shrink over time, if the impact of these changes are not offset by increased wage rates."

- A. Have you tested your conclusion that worksharing cost savings are likely to shrink over time? If yes, please provide the results of this analysis. If no, please explain why not.
- B. In Docket No. R2000-1, in its response to Order 1289, the Postal Service provided Attachment A, page 2, which included time series unit costs in constant dollars for First-Class single-piece and presort. Please confirm the following data from the table. If you cannot confirm, please provide the correct costs and explain.

**Comparison of First-Class Single Piece and Presort Unit Processing
And In-Office City Carrier Costs For Letter-Shaped Mail
(Constant 1989 Cents)**

YEAR	NONPRESORT	PRESORT	DIFFERENCE
1989	10.36	5.46	4.90
1990	9.71	5.36	4.35
1991	9.51	5.28	4.23
1992	8.99	5.07	3.92
1993	8.86	5.02	3.84
1994	9.09	5.01	4.08
1995	9.40	4.37	5.03
1996	9.55	3.98	5.57
1997	9.08	3.48	5.60
1998	8.66	3.45	5.21
1999	8.30	3.39	4.91

- C. Please update the table shown in Part B to include FY 2000 and cost projections through TY 2003. Please provide support for your answer.

RESPONSE:

Part A is answered by witness Miller.

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B. Confirmed with the exception of two of the costs for the year 1995. The NONPRESORT unit cost for 1995 is "9.46" cents rather than "9.40" cents. See Docket No. R2000-1, TR46/21815. This leads to a slightly higher DIFFERENCE of "5.08" cents rather than "5.03" cents. I have made the correction below.

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1999	8.30	3.39	4.91

C. Unit costs for FY2000 to FY2003 are not available on the same basis as provided in the table shown in Part B. The costs in this table (as corrected in the response to part B) were based on the processing cost methodology used by the Postal Service prior to Docket R97-1. See Docket No. R2000-1, TR46/21807-21812. Unit processing and city carrier in-office labor costs based on the current costing methodologies can be

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obtained for First-Class nonpresort and presort letters for the years FY2000 and FY2003. Comparable estimates for FY1998 and FY1999 are available from Docket No. R2000-1. These costs are summarized in the Attachment to this response using both the Postal Service and the Postal Rate Commission methodology for mail processing costs. The trend results for DIFFERENCE are essentially the same under either methodology. The calculations for these two tables are shown in USPS LR-J-164.

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Comparison of First-Class Single Piece and Presort Unit Processing
And In-Office City Carrier Costs For Letter-Shaped Mail
(Constant 1998 Cents)

FY	NONPRESORT	PRESORT	DIFFERENCE
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USPS Version:

1998	9.83	4.20	5.63
1999	9.42	4.11	5.31
2000	8.99	3.66	5.33
2003	8.29	3.40	4.89

PRC Version:

1998	10.54	4.37	6.18
1999	10.13	4.28	5.84
2000	9.76	3.89	5.87
2003	8.99	3.61	5.38

Source: See USPS LR-J- 164.

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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 and Part C is answered by witness Smith.

- D. Confirmed.
- E. Despite outward appearances, the costs for these cost pools are not zero. The rows for "MODS 99, 1SUPP_F1" and "MODS 99, 1SUPP_F4" are not applicable or relevant. Instead of these rows the costs are provided in the rows or cost pools "MODS 18, 1MISC" and "MODS 18, 1SUPPORT" for 1suppf1 and likewise in cost pools "MODS 48, LD48 OTH" and "MODS 48, LD48_ADM" for 1suppf4.

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Redirected from witness Miller (USPS-T22)**

MMA/USPS-T22-8. On page 10 of your Direct Testimony you describe how model-based mail processing unit costs are required when isolated CRA mail processing unit costs are unavailable.

- A. Why has the Postal Service not modified its CRA system to separately obtain actual costs for the various rate categories within presorted First Class?

RESPONSE:

- A. The Postal Service has not attempted to develop a CRA by rate category. There are many rate categories for each class and subclass, so it would be a very large undertaking for both the Postal Service and the mailers. Obtaining cost information by rate category from the In-Office Cost System (IOCS) and other data systems supporting the CRA would require mail pieces to be marked with the appropriate rate category. This might be difficult for many mailers. Even if mailers could provide this information, a significant modification of the data collection procedures would be required to obtain this additional information. In addition, a significant expansion of the data systems' sample size might be needed to provide statistically significant results at the rate category level.

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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