

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 Third Set Of  
Interrogatories And Document Production Requests  
To USPS Witness Michael W. Miller**

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 **Michael W. Miller: MMA/USPS-T22-33-40.** 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: 

Michael W. Hall  
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540-554-8880

Counsel for  
**Major Mailers Association**

**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 5th day of November, 2001.

  
Michael W. Hall

**Major Mailers Association's Third Set Of Interrogatories And Document  
Production Requests For USPS Witness Michael W. Miller**

**MMA/USPS-T22-33** Please consider two mailings of 600,000 pieces each and identical in all respects except the following: Mailing A is sent by one large First-Class presort mailer whereas Mailing B is sent by 1,000 BMM mailers. For purposes of this Interrogatory, please assume that the First-Class presort mailer conforms to all of the requirements that apply to design, preparation, and acceptance of Automation letters and that the BMM mailers all conform to the requirements that are applicable to BMM letters. Assume further that each tray of BMM letters contains 600 letters whose addresses are machine printed.

- A. Please confirm that the large First-Class presort mailer will have his mail accepted by a postal employee located at either a bulk mail entry unit or at the mailer's plant. If you cannot confirm, please explain.
- B. Please confirm that the BMM letters will be trayed and be accepted either by a postal employee during his collection route or by a window service clerk at a local post office. If you cannot confirm, please explain.
- C. Please confirm that in your CRA-derived unit costs for metered letters, you include no costs to reflect BMM letters accepted by (1) a postal employee during his collection route, or (2) a window service clerk at a local post office. If you do not confirm, please explain.
- D. Please confirm that in your CRA-derived unit costs for Automation letters, you include MODS 79 LD79 costs that reflect the letters being accepted by Postal employees. If no, please explain.
- E. Please confirm that your mail flow model-derived unit costs do not include any acceptance costs for either Automation letters or BMM letters. If no, please explain.
- F. Please estimate the cost for a Postal Service employee to accept one tray of BMM from 1,000 separate mailers (1) during his collection run, and (2) at the window of a postal facility. Please support your answer.
- G. Please confirm that the large First-Class presort mailer prepares his mail by performing all the steps and operations listed in Interrogatory MMA/USPS-T22-1C.
- H. Please estimate the total cost for the Postal Service to perform all of the same operations listed in Interrogatory MMA/USPS-T22-1C for the 1,000 BMM trays from the time the letters are accepted, sent through the mail prep operation and RBCS (where they are barcoded and sorted), and until

the letters are re-trayed, palletized and packed into trucks. Please support your answer.

- I. When the BMM is finally packed into outgoing trucks as described in Part E, will the letters be sorted to a greater degree, lesser degree or about the same degree as the letters that were prepared by the large presort mailer? Please support your answer.
- J. Please confirm that while the BMM letters are being processed in the outgoing RBCS, outgoing BCS primary and outgoing BCS secondary operations of the originating SCF, the nonlocal Automation letters mailed by the large presort mailer will either be stored near the dock waiting to be packed into trucks, or will bypass the SCF completely, going directly to a HASP or airport. If you cannot confirm, please explain.
- K. Please estimate the transportation costs for the (1) Automation letters and (2) the BMM letters? If you cannot estimate these costs, please state whether the transportation costs for the Automation letters would be higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.
- L. Please confirm that neither your CRA-derived or your mail flow model-derived unit costs include transportation costs for Automation or BMM letters. If no, please explain.
- M. Please refer to the Undeliverable-As-Addressed Study filed as Library Reference USPS-LR-I-82 in Docket No. R2000-1 ("UAA Study"). Please confirm that according to pages 12 and 27 of the UAA Study, 3.09% of all First-Class letters are UAA and 87.67% of those UAA letters are sent by business. If you cannot confirm, please explain.
- N. Please confirm that BMM is mailed exclusively by businesses (as opposed to households). If you cannot confirm, please explain.
- O. Is it reasonable to conclude that on average, 2.7% of all BMM (3.09% x 87.67%) will be UAA? If no, please explain.
- P. Please estimate the UAA (mail processing and delivery) costs for (1) the 600,000 Automation letters and (2) the 600,000 BMM letters? If you cannot estimate these costs, please state whether the UAA costs for the Automation letters would higher, lower or the same as the BMM letters. Please explain all the reasons for your conclusion and support your explanation with appropriate record citations or copies of studies or any other documents you review in reaching your conclusion.

- Q. Please confirm that delivery unit costs that you obtained from USPS witness Schenk do not include any specific impact of UAA letters that have to be either forwarded or returned. If no, please explain.

**MMA/USPS-T22-34** Please refer to your answer to POSTCOM/USPS-T24-1 where you explain that your mail flow models do not include missorts where mail pieces are initially routed to the incorrect delivery address.

- A. Please confirm that you believe that CRA adjustment factors that have been applied to the rate category models account for the fact that some tasks, such as missorting, have not actually been modeled. If no, please explain.
- B. Please confirm that other tasks not included in your cost models include:
1. Mail preparation operations;
  2. Platform operations;
  3. Allied labor;
  4. Pouching;
  5. Package sorting;
  6. Tray sorting; and
  7. Sack sorting.
- C. Please list any other tasks, not included in part B, that your cost models do not reflect.
- D. Is it your position that the CRA adjustment factors that you have applied to the rate category cost models do account for the fact that some tasks have not actually been modeled. If no, please explain.
- E. Please confirm that, for First-Class Automation letters and Standard Automation letters, the unit mail processing costs derived by your cost models is greater than the CRA-derived unit mail processing costs. If you cannot confirm, please explain.
- F. Please confirm that for First-Class Automation letters and Standard Automation letters, application of your CRA adjustment factors reduces the model-derived unit costs in order to reconcile them to the CRA unit cost. If no, please explain.
- G. If you confirm part F of this interrogatory, please explain how the CRA adjustment factor, which reduces the model-derived unit cost, accounts for the fact that some tasks have not actually been modeled.

**MMA/USPS-T22-35** Please refer to USPS-LR-J-60, page 16 where you model the mail flow for First-Class metered letters.

- A. Please confirm that you show that 890 of 10,000 letters, or 8.9% of the letters will be addressed and delivered to a post office box. If you cannot confirm, please explain.
- B. What is the source of this number?
- C. Please confirm that USPS witness Schenk imputed that 33% of First-Class single piece and 13% of workshare letters were addressed and delivered to a post office box. (Please refer to USPS-LR-J-117, worksheet "Delivery Volumes".)
- D. Please reconcile your 8.9% with the figures derived by USPS witness Schenk.
- E. Would metered mail letters exhibit the delivery address characteristics (of being addressed to a post office box) of a single piece letter or a workshare letter? Please explain your answer.

**MMA/USPS-T22-36** Please refer to USPS-LR-J-60, pages 14 and 16 where you model the mail flow for First-Class of QBRM and metered letters.

- A. Please confirm that 100% of QBRM letters are pre-barcoded and that the design and printing of each envelope has been pre-approved by the Postal Service to conform with postal guidelines and requirements to ensure machinability. If no, please explain.
- B. Please confirm that none of the metered letters is pre-barcoded and none have been specifically designed to conform with postal guidelines or requirements to ensure machinability. If no, please explain.
- C. Please confirm that for QBRM, you assume that 4.9% of the letters will be rejected in the outgoing BCS primary operation, requiring manual processing throughout the mailstream from that point forward. If no, please explain.
- D. Please confirm that for metered letters you assume that .19% of the letters will be rejected in the outgoing ISS/RCR primary, .07% of the letters will be rejected in the outgoing OSS primary, and .16% will be rejected in the outgoing BCS primary, for a total of .42%. If no, please explain.
- D. Please explain how the percentage for QBRM letters that are rejected from automation in the outgoing primary can be more than 11 times that same percentage for metered letters.

**MMA/USPS-T22-37** Please refer to USPS-LR-J-60, page 8 where you list the CRA cost pools for First-Class metered, automation letters.

- A. Does cost pool MODS 79 LD79 include costs associated with accepting workshare letters and verifying the postage paid? If no, please explain.
- B. Please confirm that you have included these costs as workshare-related but fixed, i.e., related to worksharing but not related to the degree of presort. If no, please explain.
- C. Please confirm that of all the cost pools that you deem are workshare related, the MODS 79 LD 79 costs are the only costs where automation costs are greater than the benchmark metered letter costs.
- D. What is the comparable cost pool for the following rate categories where the mail is accepted by the Postal Service and postage is verified? If such a cost pool exists, please quantify such costs under the Postal Service's costing methodology and the Commission's costing methodology. If no cost pools exist, please explain how the benchmark letters are accepted, with postage verified, without a cost being incurred by Postal Service.
  - 1. Metered letters, and
  - 2. Bulk metered letters.
- E. If you have included in your derivation of workshare cost savings the costs associated with either category listed in part B, please explain precisely where on page 8 of USPS-LR-J-60 those costs are shown? If you have not included those costs, please explain why such costs are not relevant?

**MMA/USPS-T22-38** Please refer to page 8 of Library Reference USPS-LR-J-60 where you derive the unit cost for BMM letters.

- A. What proportion of BMM letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- B. What proportion of metered letters is prebarcoded by mailers because they consist of a courtesy reply envelope? Please support your answer.
- C. Do you agree that it is more likely that single piece metered letters are more likely to be a courtesy reply enveloped than a BMM letter? Please explain your answer.

- D. In your derivation of workshare cost savings, do you assume that none of your benchmark letters are prebarcoded by mailers? If no, please explain how you isolate the impact of worksharing, which includes barcoding, when some of your benchmark letters are prebarcoded by mailers and reflected in the costs. If yes, please show how you have adjusted the benchmark BMM costs to remove the impact of prebarcoding by mailers.
- E. Please provide the proportion of letters that are prebarcoded by mailers for (1) metered letters and (2) BMM letters. Please provide the sources for your answers.
- F. Please confirm that in your model for metered letters, you assume that none of the letters is prebarcoded. If no, please explain.
- G. Please confirm that in your model, if you had assumed that some portion of the letters were prebarcoded, such letters would bypass the RBCS and go directly to the outgoing BCS primary. If no, please explain.
- H. Please confirm that in your model, if you had assumed that 10% of the letters had been prebarcoded by mailers, your derived unit metered letter would go up by .044 cents, or 1%. If you cannot confirm, please explain.
- I. Please confirm that in your model, for every 10% increase in the number of letters assumed to be prebarcoded, your derived unit metered letter cost increases by an additional .044 cents or 1%. If no, please explain.
- J. Please confirm that in your model, if you assume that 100% of letters were prebarcoded, your derived unit metered letter cost increases by an additional .437 cents or 10.4%. If no, please explain.
- K. Please justify the reasonableness of a cost model such as the one you present to the Commission for metered letters that results in increased costs when mailers provide a prebarcode on their outgoing letters.

**MMA/USPS-T22-39** Please refer to pages 41 and 43 of USPS-LR-J-60 where you derive the unit cost estimate for nonstandard single piece and nonstandard presort letters.

- A. Please confirm that your CRA-adjusted unit costs for single piece nonstandard and presorted nonstandard letters are 18.934 cents and 16.545 cents, respectively. If no, please explain.
- B. Do you agree that letters weighing up to one ounce are processed no differently from letters weighing between 1.1 and 2.0 ounces? If no, please explain.
- C. Please explain why the Postal Service proposes to charge nonstandard single piece letters less than 2-ounce single piece letters, when your cost analysis indicates that the nonstandard letters cost the Postal Service more to process.
- D. Please explain why the Postal Service proposes to charge nonstandard presort letters less than 2-ounce presorted letters, when your cost analysis indicates that the nonstandard letters cost the Postal Service more to process.
- E. Please confirm that you assumed that for nonstandard single piece letters, 7,500 of 10,000 letters could be sent to the RBCS for barcoding, and that 7,459 of those letters (99.45%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.
- F. Please confirm that if you had assumed that all of those 7,500 pieces discussed in Part E were prebarcoded by the mailer, your resulting CRA-adjusted unit cost would increase by 12.3% from 18.934 cents to 21.269 cents. If you cannot confirm, please explain.
- G. Please confirm that you assumed that for nonstandard presort letters, 1,181 of 10,000 letters could be sent to the outgoing RBCS for barcoding, and that 1,174 of those letters (99.43%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.
- H. Please confirm that you assumed that for nonstandard presort letters, 4,486 of 10,000 letters could be sent to the incoming RBCS for barcoding, and that 4,461 of those letters (99.46%) were successfully barcoded such that they could be sent to automation processing in the next operation. If you cannot confirm, please explain.



- I. Please confirm that if you had assumed that all of those 5,567 pieces discussed in Parts G and H were prebarcoded by the mailer, your resulting CRA-adjusted unit cost would increase by 4.7% from 16.545 cents to 17.320 cents. If you cannot confirm, please explain.
- J. Please justify the reasonableness of a cost model such as the ones you present to the Commission for nonstandard letters that result in increased costs when mailers provide a prebarcode on their outgoing letters.

**MMA/USPS-T22-40** Please refer to pages 17-21 of USPS-LR-J-60 where you derive the unit cost estimate for non-automation machinable letters.

- A. Please confirm that for the machinable mixed AADC-AADC model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the outgoing BCS primary operation (bypassing the outgoing RBCS), the unit cost increases by 10.5% from 4.192 cents to 4.630 cents. If you cannot confirm, please explain.
- B. Please confirm that for the machinable 3-Digit – 5-Digit model, if you had assumed that all of the letters had been prebarcoded by the mailer, and thus were sent directly to the incoming MMP Auto operation (bypassing the incoming RBCS), the unit cost decreases by 14.7% from 3.933 cents to 3.368 cents. If you cannot confirm, please explain.
- C. Please discuss the reasonableness of your models whereby allowing mailers to prebarcode their outgoing mail increases postal costs for mixed AADC or AADC letters, but reduces postal costs for 3-Digit or 5-Digit letters.