

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, 1997)
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Docket No. R97-1

FIRST SET OF INTERROGATORIES
OF MAJOR MAILERS ASSOCIATION
TO UNITED STATES POSTAL SERVICE WITNESS
DAVID R. FRONK (USPS-T-32)

Major Mailers Association asks the United States Postal Service to answer the following interrogatories pursuant to Rules 25 and 26 of the Commission's Rules of Practice and Procedure. In answering these interrogatories, the witness is requested to follow the General Instructions that are set forth in Attachment 1 to this document. Requests for data or documents are to be interpreted in accordance with General Instructions G and H. If the designated witness is unable to respond to any interrogatory, the Postal Service is asked to redirect the question to another Postal Service witness who can answer it.

Respectfully submitted,

MAJOR MAILERS ASSOCIATION



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August 13, 1997

MMA INTERROGATORIES TO USPS WITNESS
(David R. Fronk: Set One)

MMA/USPS-T32-1.

In Docket No. R94-1, USPS Witness O'Hara provided a table showing First-Class volumes, by subclass and shape, for each ounce increment (1 oz. through 11 oz.). This information was provided in Table A-8 of Exhibit USPS-T-17 and was based on FY 1993 mailing statements.

- (A) Please provide a comparable Table showing First-Class volumes, by subclass and shape for each ounce increment (1 oz. through 11 oz.) for BY 1996.
- (B) If the requested data is not available for BY 1996, please provide comparable data for the latest available year.

MMA/USPS-T32-2.

Pages A-1 through A-3 Library Reference H-145 provide the billing determinants for First-Class Mail for FY 1996.

For Postal Quarter IV and for GFY total, please provide the *numerical* computations that resulted in the entries for "Additional Ounces" of:

- (A) 5,096,798 and 16,683,201 (page A-1--see note 5),
- (B) 547,321 and 1,758,201 (page A2--see note 3), and
- (C) 48,461 and 176,866 (page A3--see note 3)

MMA/USPS-T32-3.

- (A) Please confirm that the Service's proposed rates would result in the following postage prices for First-Class Automation letters that are presorted to

five digits and for single-piece letters:

**First-Class Automation
5-Digit Letter: By Weight**

**Rate
(Cents)**

0.1 oz. to 1.0 oz.	24.9
1.1 oz. to 2.0 oz.	47.9
2.1 oz. to 3.0 oz.	70.9

**First-Class Single-
Piece Letter: By Weight**

**Rate
(Cents)**

0.1 oz. to 1.0 oz.	33.0
1.1 oz. to 2.0 oz.	56.0
2.1 oz. to 3.0 oz.	79.0

(B) If you cannot confirm this, please state the correct postage prices for each of the listed letters.

MMA/USPS-T32-4.

In your testimony (USPS-T-32), you state that “[t]he Postal Service proposes maintaining the additional-ounce rate at 23 cents for both single-piece and presorted mail....”(page 23). You also refer to “the proposal to maintain this rate at its current level....” *Id.*

(A) By these statements, did you mean to say that First-Class mailers will *not* pay higher-than-current rates for each additional ounce of presort letters weighing more than two ounces?

(B) Isn't it true that, under the Postal Service's proposal, First-Class

mailers will pay higher-than-current rates for each additional ounce of presort letters weighing more than two ounces?

(C) Please confirm the current and proposed rates for First-Class 5-digit Automation letters:

First-Class Automation 5-Digit Letter: By Weight	Increase In Rate (Cents)	Current Rate (Cents)	Proposed Rate (Cents)
One Ounce	1.1	23.8	24.9
Two Ounces	1.1	46.8	47.9
Three Ounces	5.7	65.2	70.9

(D) If you cannot confirm this, please state the correct postage prices for each of the listed letters.

MMA/USPS-T32-5.

In Docket No. MC95-1, USPS Witness O'Hara was asked: "Do you believe that the current level of additional ounce rates is in line with the Postal Service's costs of handling letters weighing:

- "(1) more than one ounce but not more than two ounces
- "(2) more than two ounces but not more than three ounces
- "(3) more than two ounces but not more than two-and-one-half ounces
- "(4) up to two-and-one-half ounces
- "(5) up to three ounces"

and he answered: "I know of no data that would allow me to form a considered opinion about costs in these weight intervals." (See R95-1 Tr. 10:3654-55; Interrogatory MMA/USPS-T17-18.)

Do you know of any data that would allow a considered opinion about processing costs in those weight intervals?

MMA/USPS-T32-6.

In Docket No. MC95-1, USPS Witness O'Hara was asked to supply any data that supported an opinion about the Postal Service's processing costs of handling letters weighing:

- (1) more than one ounce but not more than two ounces
- (2) more than two ounces but not more than three ounces
- (3) more than two ounces but not more than two-and-one-half ounces
- (4) up to two-and-one-half ounces
- (5) up to three ounces"

and he answered that: "the requested cost data are not available...." (See R95-1 Tr. 10:3654-55; Interrogatory MMA/USPS-T17-18.)

(A) As far as you know (and can determine without unreasonable burden), is there any available data showing the Postal Service's costs for letters in those weight intervals?

(B) If you know of any such data, please supply copies of the documents

providing such data.

MMA/USPS-T32-7.

(A) Please confirm that in Docket No. R94-1 (Tr. 7A/3021):

(1) Postal Service Witness Foster affirmed that:

In Docket No. R90-1: (i) Witness Callies cited an official definition of

"automation-compatible mail" as letter-sized mail that "weigh[s] no more than 2½ ounces" (Exh. USPS-T14-C, p. 5); (ii) Witness Lyons stated that the "automation equipment will be able to handle pieces weighing up to 2.5 ounces." (Tr. 9/3946. See also Tr. 9/3947, 3944-45, 3942.) (iii) Witness Moden defined machineable letter mail as weighing up to 3 ounces (Tr. 11/4845).

(2) When Mr. Foster was asked (id.):

To your knowledge (or as you can determine without unreasonable burden), do the most recent USPS studies continue to show that the automation machinery can handle clean, letter-size mail weighing up to 2.5 ounces? Up to 3 ounces?

Mr. Foster replied:

I know of no studies which support any changes in the maximum letter weight that can be efficiently processed on automated equipment.

(In Docket No. MC95-1, USPS Witness O'Hara accepted these MMA's representations at Tr. 10: 3656, responding to Interrogatory MMA/USPS-T17-19.)

(B) To your knowledge (and so far as you can determine without unreasonable burden), have there been any developments or new information since Mr. Foster's reply that would change the answers given in Docket No. R94-1 for letter mail weighing up to two ounces. If so, please explain in detail and update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

(C) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Mr. Foster's reply that would change the answers given in Docket No. R94-1 for letter mail weighing up to 2.5 ounces. If so, please explain in detail and

update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

(D) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Mr. Foster's reply that would change the answers given in Docket No. R94-1 for letter mail weighing up to 2.8 ounces. If so, please explain in detail and update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

MMA/USPS-T32-8.

In Docket No. R87-1, the Commission observed: "Letters up to two ounces for the most part can be processed on the new automation at a cost no higher than a one ounce letter" (Docket No. R87-1 Op., p. 448). In Docket No. R90-1, the Service submitted a study (USPS LR-F-177) which MMA/ABA's witness interpreted as showing that presorted letter's attributable costs are (Tr. 24/10845):

ATTRIBUTABLE COSTS FOR PRESORT MAIL

Test Year 1989

<u>Ounce Categories</u>	<u>Average Weight</u> (ounces)	<u>Attributable</u> <u>Cost/Piece</u> (\$)
0.1-1	0.50	0.095
1-2	1.50	0.118
2-4	2.66	0.141
4-7	5.16	0.414
7-12	8.78	0.634

(A) Please confirm that, in Docket No. R94-1 (Tr. 7A/3022-23), USPS Witness

Foster stated in response to Interrogatory MMA/USPS-T11-16 that:

The Postal Service does not have information which shows costs, by weight increment, for First-Class Mail letters which are presorted, nonpresort prebarcoded, presort prebarcoded, or nonpresort nonbarcoded. A preliminary study was initiated using FY 1992 data to try to obtain volume and unit cost data by weight, shape, and rate category for First-Class Mail. However, the study effort was abandoned after its preliminary results revealed its methodology to be too flawed to produce reliable information.

The Postal Service has not undertaken a successor effort and, therefore, cannot state what data sources or other information can be used to derive the requested costs.

(In Docket No. MC95-1, USPS Witness O'Hara accepted these MMA's representations at Tr. 10:3658-59 in response to MMA Interrogatory MMA/USPS - T17-20.)

(B) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Mr. Foster's reply that would change the answers regarding costs given in Docket No. R94-1

for letter mail weighing up to two ounces. If so, please explain in detail and update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

(C) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Mr. Foster's reply that would change the answers regarding costs given in Docket No. R94-1 for letter mail weighing up to 2.5 ounces. If so, please explain in detail and update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

(D) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Mr. Foster's reply that would change the answers regarding costs given in Docket No. R94-1 for letter mail weighing up to 2.8 ounces. If so, please explain in detail and update Mr. Foster's study and provide copies of any new studies. (The 1996 study referred to in Interrogatory MMA/USPS-T32-10 concerns letter mail weighing in excess of three ounces.)

MMA/USPS-T32-9.

(A) Interrogatories MMA/USPS-T11-19(e) and 19(f) in Docket R94-1 asked USPS to provide copies of "any" studies known to underlie the document, "United States Postal Service Three-In-One Pricing Summary," or to concern a common postage rate covering letters up to two and one-half or three ounces, or to show

the costs for the "Three-In-One" proposal. USPS' response was to refer to Library Reference G-177 and USPS-LR-G-177, which is entitled, "Three-In-One Pricing--Building New Value Into the Postal System."

(A) Please confirm that, according to the Three-In-One Pricing document:

- 1) "Three-In-One results in practically all First-Class letters (as opposed to flats or parcels) being charged the same rate because 99.9 percent of these letters weigh three ounces or less" (page 6).
- 2) "Price structures that track cost patterns are considered to be fair because they link price signals with resource consumption. Conversely, price structures that deviate from cost patterns are considered to be less fair and equitable because they may encourage uneconomic behavior, or sometimes result in cross-subsidization" (page 7-8).
- 3) "The Competition Services Task Force endorsed increasing the fairness of the First-Class rate structure when it made the following recommendation concerning incremental-ounce rates: 'Incremental ounce cost for First-Class Mail is extremely high compared to the incremental increase in the cost of handling. Other pricing structures should be considered to encourage use and treat cost fairly'" (page 8).
- 4) "In short, Three-In-One recognizes that shape is the dominant cost driver, not weight" (page 8).
- 5) "By eliminating the additional-ounce burden for mail under three ounces and applying the nonstandard surcharge through three ounces, Three-In-One pushes the evolution of this First-Class rate structure an additional step. Three-In-One further decreases the importance of weight and increases the importance of shape" (page 10).

(In Docket No. MC95-1, USPS Witness O'Hara accepted these MMA's representations at Tr. 10:3661-62 in response to MMA Interrogatory MMA/USPS -T17-22.)

(B) To your knowledge (and so far as you can determine without unreasonable burden) have there been any development or new information which supplements the "Three-In-One Pricing" study? If so, please explain in full detail.

MMA/USPS-T32-10.

See Interrogatory MMA/USPS-T32-8.

(A) Please confirm that according to the Three-In-One pricing document:

- (1) A "Mail Characteristics Study" ("MCS"), conducted on behalf of the former Technology Resources Department, supplied shape data which, along with cost data by weight increment produced for the Docket No. R90-1 rate case (Library Reference LR-F-177 in that docket), were used in a multiple regression to separately estimate the effects of weight and space (page 19).
- (2) The results of that multiple regression, factored up to Fiscal Year 1992 cost levels, were used to construct a Table 5 showing, as "markups over attributable cost":

<u>Ounce Interval</u>	<u>Current Markups: Letters</u>
0-1 oz.	37%
1-2 oz.	125%
2-3 oz.	199%

(See R94-1 Tr. 7A/3041)

(B) To your knowledge (and so far as you can determine without unreasonable burden) have there been any developments or new information since Docket No. R94-1 that supplements the "Three-In-One" study? If so, please explain in detail and update the information in Paragraph (A).

(In Docket No. MC95-1, USPS Witness O'Hara accepted these MMA representations and stated that there had been no new developments as far as he had been able to determine. See MC95-1 Tr. 10:3663, responding to MMA Interrogatory MMA/USPS-T17-22.)

MMA/USPS-T32-11.

Please refer to the Postal Service's Final Rules, entitled "Revisions To Weight and Preparation Standards for Barcoded Letter Mail, published in 59 Federal Register 65967-71 (Dec. 22, 1994) and 60 Federal Register 5860-61 (January 31, 1995).

(A) Please confirm that "For a period of up to 1 year, beginning January 16, 1995, the Postal Service [proposed] to conduct a test of live barcoded bulk third-class regular rate letter mail weighing between 3.0 and 3.3071 ounces, and barcoded bulk third-class nonprofit rate, First-Class and second-class letter mail weighing between 3.0 and 3.376 ounces" (60 Fed. Reg. at 5860) in order "to determine whether a permanent increase in the maximum weight for barcoded letter mail is appropriate...." (59 Fed. Reg. at 65969).

(B) Please state whether the tests were conducted.

(C) What were the results of the tests? Please attach copies of all written reports of the test results.

(D) How did the test results affect the rule published in 59 Federal Register 65967-71 and 60 Federal Register 5860-61 ?

(1) Was the rule continued in effect and, if so, does the rule remain in effect?

(2) Was the rule modified and, if so, how was it modified? Does the modified rule remain in effect?

(3) Was another rule adopted in place of the rule and, if so, what did the modified rule provide and does it remain in effect?

(E) With respect to automation-compatible barcoded letter-size mail, does the Postal Service currently allow Standard and First-Class Mail weighing 3.0 ounces to be accepted at Automation rates and, if so, what is the maximum allowable rate?

(F) With respect to automation-compatible barcoded letter-size mail, does the Postal Service currently allow Standard and First-Class Mail weighing 2.0 ounces or more to be accepted at Automation rates and, if so, what is the maximum allowable rate?

(G) In the live tests announced in 59 Federal Register 65967-71 and 60 Federal Register 5860-61, were the First-Class and the third-class letters processed on the same machines and, if so, were the First-Class and third-class letters processed together?

(H) With respect to the Standard letter mail and the First-Class letter mail referred to in your answers to Paragraphs (E) and (F) above, are both types of letter mail usually processed together on the applicable machinery?

MMA/USPS-T32-12.

Please refer to Interrogatory MMA/USPS-T32-10.

(A) In the live tests announced in 59 Federal Register 65967-71 and 60 Federal Register 5860-61, on what types of Postal Service processing machines

were the third-class and First-Class letters processed?

(B) What was the basis on which it was determined that the tests should be conducted on these types of machines?

MMA/USPS-T32-13.

Please refer to Part (A) of Interrogatory MMA/USPS-T32-8.

(A) Please describe the "flawed" methodology of the "preliminary study" which sought to obtain unit cost data by weight (among other things) for First-Class Mail.

(B) Were the "preliminary results" of the study reported in writing?

(C) If the preliminary results of the study were reported in writing, please provide a copy.

MMA/USPS-T32-14.

(A) Please confirm that the Service's proposed rates would result in the following postage rates for (A) a 1.0 ounce nonstandard single-piece First-Class letter and (B) a 1.1 ounce Automation letter that is presorted to five digits:

	Rate (Cents)	Difference (Cents)
1.0-Oz. Nonstandard Letter	49.0	+01.1
1.1-Oz. Automation Letter	47.9	

(B) If you cannot confirm this, please state the correct postage prices for each of the listed letters.

(C) Confirm that nonstandard letters are charged additional postage because of the higher costs required to process nonstandard letters. If you cannot confirm, please explain.

(D) If you confirm that nonstandard letters are charged higher postage because of the additional costs required to process nonstandard letters, please explain the Postal Service's reasons for charging higher postage for letters imposing additional costs for processing.

MMA/USPS-T32-15.

(A) Under the Postal Service's proposal, what are the coverages for (1) First-Class single-piece letters and (2) worksharing letters, under the Postal Service's new costing methodology?

(B) Under the Postal Service's proposal, what are the coverages for (1) First-Class single-piece letters and (2) worksharing letters, under the Commission-approved costing methodology?

MMA/USPS-T32-16.

(A) Please confirm that the Service's proposed increase in First-Class letter rate is greater for First-Class Automation letters than for First-Class single-piece letters, as shown in the following table:

Increase In Rates For One Ounce Letters

Type of Mail	Increase (Cents)
Single-Piece	1.0
Basic Automation	1.4
3-Digit Automation	1.1
5-Digit Automation	1.1
Carrier-Route	1.6

MMA/USPS-T32-17.

In USPS-T-32 you state (page 23) that the First-Class additional-ounce rate

generated about \$4.3 billion in revenue for 1996 and (page 24) the elimination of the heavy-weight discount for presorted mail weighing more than two ounces “affects a relatively small number of mail pieces.”

(A) Please provide the revenues generated in 1996 by category for First-Class Mail weighing:

- (1) more than one ounce but not more than two ounces
- (2) more than two ounces but not more than three ounces
- (3) more than three ounces but not more than four ounces
- (4) more than four ounces but not more than five ounces
- (5) more than five ounces but not more than six ounces
- (6) more than six ounces but not more than seven ounces
- (7) more than seven ounces but not more than eleven ounces

If data is not available for some ounce increments, provide combined data for a group of ounce increments as available (as, for example, ounces four through eleven).

(B) Please provide the number of mail pieces during 1996 (or the latest year for which data is available) by category for First-Class Mail weighing:

- (1) more than two ounces but not more than three ounces
- (2) more than three ounces but not more than four ounces
- (3) more than four ounces but not more than five ounces
- (4) more than five ounces but not more than six ounces
- (5) more than six ounces but not more than seven ounces
- (6) more than seven ounces but not more than eleven ounces

(7) more than eleven ounces but not more than twelve ounces.

If data is not available for some ounce increments, provide combined data for a group of ounce increments as available (as, for example, ounces four through eleven).

MMA/USPS-T32-18.

Please refer to the Postal Service's Request in this case, Attachment B at page 7. Footnote 2 indicates that the proposed First-Class rates apply through 11 ounces and that heavier pieces (over 11 ounces but less than 16 ounces) are subject to Priority Mail rates.

(A) Under current rates, does a 12-ounce First-Class piece pay \$2.85 (first ounce charge of 32 cents plus eleven times the additional ounce charge of 23 cents) or the one pound Priority Mail rate of \$3.00? Please explain your answer.

(B) Please confirm that the following tables reflects the unit rates proposed by the Postal Service in this proceeding for First-Class Mail.

<u>Ounce Increment</u>	<u>Unit Rate</u>
1	\$.33
2	.56
3	.79
4	1.02
5	1.25
6	1.48
7	1.71
8	1.94
9	2.17
10	2.40
11	2.63

(C) Under the Postal Service's proposed rates, would a 12 ounce piece be charged \$2.86 (11-ounce charge of \$2.63 plus additional ounce charge of 23 cents) or the proposed one pound Priority Mail rate of \$3.20? Please explain your answer.

(D) Under the Postal Service's proposed rates, would a 13 ounce piece be charged \$3.09 (12-ounce charge of \$2.86 plus additional ounce charge of 23 cents) or the proposed one pound Priority Mail rate of \$3.20? Please explain your answer.

MMA/USPS-T32-19.

On page 1 of USPS-T-32, you show the proposed percentage increases for First-Class Mail.

Please show separately the proposed percentage increase for Single Piece and Presorted First-Class Mail. Please also show the source and derivation of your answer.

MMA/USPS-T32-20.

On page 2 of USPS-T-32, you note that the First-Class cost coverage is 199%. You also add that this bears "the same relationship to the system-wide average cost coverage as it did following Docket No. R94-1" (*Id.*, footnote 1).

(A) Please explain your statement and provide computations showing class and systemwide "relationship[s]" in Dockets Nos. R94-1 and R97-1.

(B) Please explain your computations provided in response to Paragraph

(A).

(C) Please confirm that, under the Service's methodology, the cost

coverages are 173% for First-Class single-piece mail and 282 % for First-Class presort mail (including Automation and Carrier-Route mail). If you cannot confirm, please provide the correct percentage figures.

MMA/USPS-T32-21

You focused on mail processing and delivery cost aspects of bulk metered mail within nonpresorted letters because, as you state, “these are the costs that will be affected by presorting and pre-barcoding” (USPS-T-32, page 20).

(A) In your statement and your computations, is it your goal to eliminate the effect of all costs associated with mail “cleanliness” when deriving cost savings associated with “presorting” and pre-barcoding”? Please explain any no answer.

(B) Is it true that you did not measure any cost savings which are due to the fact that presorted letters by-pass all mail preparation operations within the Postal Service? Please explain any no answer.

MMA/USPS-T32-22.

Is it a requirement that in order to qualify for pre-barcoded discounts, the following are requirements of eligibility?

- i. All letters must meet certain machineable criteria,
- ii. All letters must be prepared according to strict entry requirements,
- iii. All letters must have addresses that have been checked for accuracy and must be up to date,
- iv. All letters that include a reply envelope must make sure that the reply envelope is machineable and pre-barcoded.

v. All mailings must have a minimum of 500 pieces.

vi. Any others?

Please explain any no answer.

MMA/USPS-T32-23.

When designing your additional ounce rates “for simplicity in rate design” (USPS-T-32, page 23), did you take into account the relationship between First-Class heavy pieces and Priority Mail one pound pieces? Please explain.

MMA/USPS-T32-24.

Please examine the unit processing costs and proposed rates in cents for First-Class Mail as shown in the following table.

(A) Please confirm that these figures are correct or, if you cannot confirm them, please provide the correct figures, along with an explanation for your corrections.

	<u>Processing Cost</u>	<u>Difference</u>	<u>Proposed Rate</u>	<u>Difference</u>	<u>Notes</u>
Single Piece Letters	16.7		33.0		
Bulk Metered Benchmark	14.7		33.0		
Presort	11.3	3.4	31.0	2.0	Diff with benchmark
Basic Automation	9.0	5.7	27.5	5.5	Diff with benchmark
3-Digit Automation	8.2	6.5	26.5	6.5	Diff with benchmark
5-Digit Automation	6.6	1.6	24.9	1.6	Diff with 3-digit
Carrier Route	6.4	0.2	24.6	0.3	Diff with 5-digit

Source: USPS-29C, page 1, corrected based on footnote 5

(B) Please confirm that the unit processing cost shown for single piece letters, 16.7 cents, (1) is an average for all single piece letters, including bulk metered letters, and (2) excludes all mail preparation and acceptance

costs. If you cannot confirm, please explain.

MMA/USPS-T32-25.

In footnote 4 on page 24 of USPS-T-32, you refer to USPS-29C. Footnote 5 on page 1 of USPS-29C refers to LR-H-106. Page II-5 of LR-H-106 shows the unit cost for First-Class single piece letters is 11.742 cents. On that same page the unit presorted letter cost is shown to be 4.606 cents.

(A) Is the difference between these two figures, 7.136 cents, the difference between processing an average nonpresort letter and an average presorted letter for the test year, excluding mail preparation costs? If not, please explain.

(B) Does the analysis provided in LR-H-106 take into account the Postal Service's attributable cost methodology whereby labor costs are not assumed to be 100% variable with volume? Please explain any no answer.

(C) Are the 11.742 cent and 4.606 cent total unit cost figures shown for the unit variable cost to process non-presorted letters and presorted (non-carrier route) letters, respectively, reconciled to the Postal Service's In-Office Cost System? Please explain.

(D) Do you agree that if the Commission rejects the Service's methodology for reducing direct labor attributable costs, then (a) the unit costs of 11.742 and 4.606 would increase and (b) the difference between the two numbers would increase? If not, please explain.

MMA/USPS-T32-26.

On page 24 of USPS-T-32, you discuss the increase in the nonstandard


surcharge for First-Class letters weighing up to one ounce.

- (A) Confirm that the proposed unit rate for such pieces is 43 cents.
- (B) Confirm that the reason for the nonstandard surcharge is to account for the additional costs required to process nonstandard letters since they cannot be processed on machines such as optical character readers and barcode sorters.
- (C) What is the projected unit attributable processing cost for nonstandard letters? Please provide the source for your answer.
- (D) Confirm that the projected unit attributable processing cost for an average Automation letter varies between 2.3 and 5.3 cents, depending upon degree of presort, as shown in USPS-29C.

**End of Set One Interrogatories,
but please note attached
General Instructions For Answering)**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document, by First-Class Mail,
upon the participants requesting such service in this proceeding.



Jeffrey Plummer

August 13, 1997

GENERAL INSTRUCTIONS FOR ANSWERING INTERROGATORIES

A. If the witness to whom a particular Interrogatory or Request for Production of Documents is directed is unable to respond, the witness and his or her lawyers should redirect the question or request to another Postal Service witness who can answer the question or comply with the request. If the Postal Service believes that none of its witnesses can respond to an Interrogatory or Request, it is asked to advise MMA counsel of its position promptly by facsimile message to Telecopy Number 202-293-4377.

B. In interpreting the wording of an Interrogatory or Request for Production of Documents, please do not be hypertechnical or grudging. A witness is often able to ascertain what information is being sought even if the Interrogatory or Request is not worded precisely or correctly. Similarly, an Interrogatory or Request may seek information that is not available, but the witness will know about the availability of other, somewhat different information that the requesting party could use in lieu of the unavailable information. In such cases, the witness is asked to interpret the Interrogatory or Request generously, providing the information that the requesting party would have asked for if that party had phrased the inquiry more precisely or know about the available information.

C. If the Interrogatory or Request for Production of Documents requests information that the Postal Service has previously supplied in this proceeding, please state and identify

the document in which that information was provided. Identify any Library References and Workpapers that also contain information relevant to the Interrogatory or Request.

D. The witness should provide all workpapers that are relevant to the witness' response to an Interrogatory or Request for Production of Documents.

E. As used in an Interrogatory or Request for Production, the term "documents" includes, but is not limited to: letters, memoranda, reports, studies, testimonies, pamphlets, newspaper clippings, tabulations, drafts and workpapers by whatever means created, recorded, stored or transmitted, together with any written material necessary to understand or use such documents. The term "workpapers" includes all back-up material, whether prepared manually, mechanically or electronically, and should set forth the calculations of costs, prices, rates or statistical analyses created by or for the witness in preparing his testimony, together with explanatory information sufficient to permit replication of the arithmetic steps depicted in such workpapers.

F. In referring to a document, please cite the complete title, author, publisher and date of publication. References should cite page and line, if possible. Unless the document is testimony filed in this proceeding, please state the document's location and, if not published, the identity, location and telephone number of the document's custodian.

G. When a witness is asked to provide data or a document, the request should be interpreted as asking for information that

is available to the Postal Service and that the witness knows about or has the ability to locate without reasonable burden. In determining what information is "available" to the Postal Service, within the meaning of Section 25 of the Commission's Rules of Practice, the witness should follow the Presiding Officer's Ruling No. R94-1/18 (p. 6), that: "The available is that which it is possible to obtain." (See also Presiding Officer's Ruling No. R94-1/38, p. 5; legal authorities cited in MMA's May 10, 1994 Request for Leave to File Response and June 16, 1994 Response to Postal Service's Motion to Compel, both in Docket No. R94-1.) In the event that the requested party does not provide the information because the requested party believes that doing so would be an unreasonable burden, the requested party is expected to make the showing required under Rule 25(c) of the Commission's Rules of Practice and Procedure.

H. In the event that answering the request requires the Postal Service to compile information, to perform research or to make analyses, the Postal Service is requested to comply with the principles stated in Presiding Officer's Ruling No. R94-1/18 (pp. 5-6) and other Commission Orders in Docket No. R94-1 concerning MMA's discovery requests and motions to compel and the Postal Service's objections thereto. (See also Federal court decisions cited in MMA's June 16, 1994 Response to Postal Service's Motion to Compel.) In the event that the requested party does not provide the information because the requested party believes that doing so would be an unreasonable burden, the requested party is expected to make the showing required under Rule 25(c) of the Commission's Rules of Practice and Procedure.