

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
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FIRST SET OF INTERROGATORIES
OF MAJOR MAILERS ASSOCIATION
TO UNITED STATES POSTAL SERVICE WITNESS
PHILIP A. HATFIELD (USPS-T-25)

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
(Philip A. Hatfield: Set One)**

MMA/USPS-T25-1.

On page 3 of USPS-T-25, you indicate that, for your analysis of First-Class bulk mail cost savings, your benchmark is a “shape specific, product specific mail processing unit cost that includes all volume variable mail processing costs that are captured in the CRA”.

(A) Does this mean that your unit benchmark processing costs are consistent with the Postal Service’s attributable cost methodology as presented by USPS witness Alexandrovich? Please explain any no answer.

(B) Does this mean that your unit benchmark processing costs differ from those that would be produced under the Commission’s approved cost methodology as provided in the last omnibus rate proceeding, Docket No. R94-1? Please explain any no answer.

(C) Please refer to your answer to Paragraph (B) of this Interrogatory. If you had used the Commission-approved methodology, what would be the effect upon the costs for First-Class letters that are shown in Table II-2 on page 4 of your testimony, USPS-T-25? Please provide a version of Table II-2 that shows how the costs for First-Class letters would change if you had used the Commission-approved methodology.

(D) Please provide a version of Table II-2 that shows how the costs for First-Class letters would change if you had used a methodology that

attributed all mail processing labor costs as 100 percent variable? Please support your answer.

MMA/USPS-T25-2.

On page 5 of USPS-T-25, you note that the “models yield an average mail processing cost per piece for the average letter in each different rate category”.

(A) What is the weight of an “average” letter for each category which the costs of your models reflect?

(B) For these “average” letters, how many weigh under one ounce, between one and two ounces, and between two and three ounces?

(C) How would the costs in your models change if the mail flows reflected letters weighing only up to one ounce? Please explain your answer.

(D) How would the costs in your models change if the mail flows reflected letters weighing only up to two ounces? Please explain your answer.

(E) How would the costs in your models change if the mail flows reflected letters weighing between one and two ounces? Please explain your answer.

(F) Are First-Class prebarcoded automated letters (basic, 3-digit and 5-digit) weighing between one and two ounces sorted on barcode sorters? If your answer is no, can those letters be sorted on barcode sorters? Please explain any no answers.

(G) Are First-Class prebarcoded automated letters (basic, 3-digit and 5-

digit) weighing between two and three ounces sorted on barcode sorters?

If your answer is no, can those letters be sorted on barcode sorters?

Please explain any no answers.

(H) Are Standard Mail A prebarcoded automated letters (basic, 3-digit and 5-digit) weighing between one and two ounces sorted on barcode sorters? If your answer is no, can those letters be sorted on barcode sorters? Please explain any no answers.

(I) Are Standard Mail A prebarcoded automated letters (basic, 3-digit and 5-digit) weighing between two and three ounces sorted on barcode sorters? If your answer is no, can those letters be sorted on barcode sorters? Please explain any no answers.

MMA/USPS-T25-3.

On page 9 of USPS-T-25, you explain how you adjusted productivities (upwards, which lowered costs) to account for the Service's presentation that not all labor mail processing costs are 100% variable. You also indicate that the "productivities were calculated by dividing the total number of pieces processed through an operation or group of operations for the year by the total number of workhours associated with the operation or group of operations for the year".

(A) Please confirm that, before adjustment, productivities were based upon actual person-hours worked to process a particular volume of mail.

(B) Referring to Paragraph (A) of this Interrogatory, explain *your* justification for increasing productivities higher than they actually were.

(C) Did you make the adjustment in productivities for any reason other

than to conform your analysis to other Service witnesses' conclusion that direct labor costs do not vary 100 percent with volume. If your answer is other than no, please explain in detail.

(D) Did you perform an analysis without adjusting the productivities? If so, please provide the results of that analysis.

(E) If the Commission concludes that direct labor costs *do* vary 100 percent with volume, would you agree that your cost models underestimate the computed cost savings (under a Commission determination of 100 percent variability)? Please explain any no answer.

MMA/USPS-T25-4.

On page 12 of your testimony you note that during your accept and upgrade rate study, "rejects can go to a variety of places depending on the reason for the reject."

(A) Please describe all of the reasons for rejects that were experienced and recorded?

(B) For each reason noted in your answer to Paragraph (A) of this Interrogatory, please quantify the (1) cost per-piece for each type of mail rejected, by category of rejection, and (2) rate of occurrence of each type of rejection.

MMA/USPS-T25-5.

On pages 12-15 of USPS-T-25, you describe mail preparation and entry requirements that have been instituted as a result of Docket No. MC95-1 re-classification. For example, prior to classification reform, automated mail could

be prepared in bundles. Now all mail must be prepared in full trays

(A) Please quantify--for each category of mail affected--the per-piece cost savings due to the Docket No. MC95-1 revisions in mail preparation and entry requirements.

(B) Are the cost savings described in Paragraphs (A) and (B) taken account of in the USPS proposed rates for First-Class automated mail and, if so, how? Please explain.

(C) Are the cost savings described in Paragraphs (A) and (B) taken account of in the USPS proposed rates for First-Class presorted (but not automated) mail and, if so, how? Please explain.

(D) Doesn't your methodology omit any presort cost savings that occur during the mail acceptance and mail preparation operations? Please explain any no answer.

(E) Please provide the productivities for the mail acceptance and mail preparation operations. What is the source of these productivities?

MMA/USPS-T25-6.

On page 18 of USPS-T-25, you state that "the Postal Service intends to reduce LSM processing equipment in automated facilities as much as is operationally feasible" and that in your models, "mail that is rejected from automated equipment is sent directly to manual processing".

Is it the Postal Service's position that, given all of the costs involved, it is less expensive to process non-machinable letters manually rather than on letter

sorting machines? Please explain.

MMA/USPS-T25-7.

Please refer to Appendix I of USPS-T-25, where you compute model unit costs for First-Class Nonautomation Presort, Automation Basic Presort, Automation 3-Digit Presort and Automation 5-digit Presort. For each of these four categories of First-Class Mail, please describe where in your mail flow diagrams and computations you take into account the extra costs of processing 2-ounce letters (compared to 1-ounce letters). Can you quantify those costs and, if you can, please provide that quantification.

MMA/USPS-T25-8.

Over the past few years there have been new requirements that First-Class automated letters must meet. Presumably these were sought by the Postal Service to reduce postal costs.

(A) In your study's derivation of unit mail processing costs, did you quantify and take into account any cost savings due to the new, stricter entry requirements implemented after classification reform? If so, explain in what quantitative manner those cost savings were taken into account.

(B) In your study's derivation of unit mail processing costs, did you quantify and take into account any cost savings due to the requirement that zip codes include 11 digits, instituted in connection with Docket No. MC93-2? If so, explain in what quantitative manner those cost savings were taken into account.

(C) In your study's derivation of unit mail processing costs, did you quantify and take into account the new, stricter address requirements


implemented after classification reform? If so, explain in what quantitative manner those cost savings were taken into account.

(D) In your study's derivation of unit mail processing costs, did you quantify and take into account the new requirement that reply envelopes be machineable and pre-barcoded? If so, explain in what quantitative manner those cost savings were taken into account.

**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.