BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268–0001

POSTAL RATE AND FEE CHANGES, 2001	Docket No. R2001–1

RESPONSES OF UNITED STATES POSTAL SERVICE WITNESS MILLER TO INTERROGATORIES OF MAJOR MAILERSS ASSOCIATION (MMA/USPS-T22-26, 27, 28(A,B), 29(A-D), 31 and 32)

The United States Postal Service hereby provides the responses of witness Miller to the following interrogatories of Major Mailers Association: MMA/USPS–T22-26, 27, 28 (A,B), 29(A-D), 31 and 32, filed on October 24, 2001.

Each interrogatory is stated verbatim and is followed by the response.

Interrogatories MMA/USPS-T22-28(C-F), 29(E-J), and 30 have been redirected to the Postal Service for response. The redirected responses to 28(C-F) and 30 are being filed today. The redirected responses to 29(E-J) are forthcoming.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-26 Please refer to Library Reference USPS LR-J-60, particularly pages 15 and 16, and USPS witness Kingsley's testimony on pages 9 and 10. Ms. Kingsley's testimony describes several factors that would make a letter non-machinable, requiring manual processing throughout the Postal mailstream.

A. Please confirm that for purposes of estimating metered mail letters costs, you assumed that 100% of the letters would not be culled out or rejected by the mail prep operation and sent directly to the RBCS for processing. If you cannot confirm, please explain.

B. Please indicate what postal requirements, if any, regulate single piece metered letters to make sure that they are not culled out or rejected by the mail prep operation.

C. Please confirm that according to the direct testimony of witness Kingsley (USPS-T-39 at 9-10), the following factors can make an otherwise machinable letter non-machinable. If you cannot confirm, please explain why not.

1. aspect ratio of less than 1.3 or greater than 2.5
2. closure device
3. non-square corners
4. rigid or odd-shaped contents
5. stiffness
6. flimsiness
7. misplacement of address
8. self mailer whose folded edge not parallel to longest dimension
9. booklet whose spine is not the longest edge and
10. unreadable or improper address

D. Why is it that the letter mail processing mail flow that you use to derive the unit processing cost for metered mail fails to include metered mail letters that might not be machinable for any of the reasons described in part C?

E. By using BMM as the benchmark from which to measure Automation cost savings do you implicitly assume that BMM would be designed to meet automation requirements in the same manner as Automation letters, in the absence of a discount? If your answer is yes, please explain why you think that BMM mailers would take the same care in designing their mail pieces as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in designing their mail pieces to meet the Postal Service's automation requirements.

MMA/USPS-T22-26 (CONTINUED)

F. By using BMM as the benchmark from which to measure Automation cost savings, you implicitly assume that, in the absence of a discount, BMM addresses would be as complete and up-to-date to meet all applicable USPS move update requirements as Automation letters in fact are? If your answer is yes, please explain why you think that BMM mailers would take the same care in maintaining complete, accurate and current addresses as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in maintaining their address lists to meet the Postal Service's worksharing requirements, state the basis for your belief, and provide all documents you review in providing a response to this interrogatory.

RESPONSE:

(A) Please see response to MMA/USPS-T22-24(A).

(B) Please see response to MMA/USPS-T22-24(B).

(C) Please see response to MMA/USPS-T22-24(C).

(D) Please see response to MMA/USPS-T22-24(D).

(E) Please see response to MMA/USPS-T22-24(E).

(F) No such "assumption" has been made. To the extent that there are address quality differences that result in cost differences between the benchmark and presort letters rate categories, those cost differences are included in the worksharing related savings estimates.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-27 Please refer to your model cost derivations where you include a post office box sort as part of the incoming secondary and to Library Reference USPS LR-J-117, file worksheet "Delivery Volumes."

A. Please define exactly what "post office box sort" means and whether or not this includes depositing the letters into a post office box or a sack or tray for caller service.

B. For Automation letters, did you assume that 13% of the letters are addressed to a post office box, as found by USPS witness Schenk? If no, please explain.

C. For metered letters did you assume that 33% of the letters are addressed to a post office box, as found by USPS witness Schenk for First-Class single piece letters. If no, please explain.

RESPONSE:

(A) These costs represent the tasks performed by the customer service (function 4) clerks who case post office box mail directly into the box section.

(B) No. The methodology used to estimate these costs is described on page 14 at 25.

(C) No. The methodology used to estimate these costs is described on page 14 at 25.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-28 Please refer to page 20 of your Direct Testimony and page 1 of Library Reference USPS LR-J-60, where you assume that the unit delivery cost for metered letters would be the same as for non-automation, machinable mixed AADC letters.

A. Is it your understanding that the unit delivery costs as derived in Library Reference USPS LR-J-117 are significantly affected by the number of letters within a given category that are delivered to a post office box? If no, please explain.

B. What is the relationship between the number of letters delivered to a post office box and the rate category within which a letter is mailed?

C. What percent of First-Class single piece letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

D. What percent of First-Class metered mail letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

E. What percent of First-Class non-automation machinable AADC letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

F. What percent of First-Class presorted letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

RESPONSE:

(A) No. It is my understanding the delivery unit costs by rate category reflect differences in the amount of mail that is delivery point sequenced.

(B) I would imagine there is no correlation between the level of presortation and post office box addressing.

(C) Redirected to the United States Postal Service.

(D) Redirected to the United States Postal Service.

RESPONSE TO MMA/USPS-T22-28 (CONTINUED)

(E) Redirected to the United States Postal Service.

(F) Redirected to the United States Postal Service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-29 Please refer to page 8 of your Direct Testimony, where you state "[my] analysis relies upon shape-specific CRA mail processing unit costs, which are reported by cost pool in the In-Office Cost System (IOCS)."

A. Please provide a complete definition of the 1CANCMMP and LD79 cost pools.

B. If workshare mail is plant loaded in a First-Class mailer's facility, does the mail bypass the operations for which costs are included in the 1CANCMMP Cost Pool? If not, please explain your answer fully.

C. Please state which cost pool includes costs associated with having USPS personnel accept First-Class workshare mail when such mail is plant loaded at the mailer's facility.

D. Please state which cost pool includes costs associated with having USPS personnel accept First-Class bulk metered mail when such mail is delivered to a USPS window or loading dock.

E. For the Base Year and the most recent 12 months for which information is available, how many First-Class automation mailers has the USPS made arrangements with to have their high volume automation mail plant loaded?

F. For the Base Year and the most recent 12 months for which information is available, how many geographically distinct First-Class mailer facilities are covered by plant loading arrangements?

G. Please provide all documents describing the policies and criteria used by the USPS in deciding which First-Class mailers should plant load their automation mail.

H. When did the Postal Service first begin having First-Class mailers plant load their automation mail?

I. For each year since the Postal Service began having First-Class automation mailers plant load their mail, please provide the total number of First-Class mail letters that were plant loaded. Please provide the sources for your answer.

J. Please provide all studies or other documents which describe and/or quantify the cost savings and other benefits that the USPS derives from having First-Class mailers plant load their mail.

RESPONSE:

(A) The operations mapped to these cost pools can be found in USPS LR-J-55, pages 24 and I-27.

RESPONSE TO MMA/USPS-T22-29 (CONTINUED)

(B) Presort letters and cards would generally not incur any costs mapped to the "1CANCMMP" cost pool unless that mail is being weighed into the MODS system as "meter bypass" mail (MODS operation 020B).

(C) Acceptance and verification costs are found in cost pool "LD79."

(D) The answer to this question depends on where this mail enters the facility. If BMM letters are entered directly at the dock, these costs would be included in the "1PLATFORM" or "ALLIED" cost pools. If BMM letters are entered at the BMEU, these costs would be included in the "LD79" cost pool.

(E) Redirected to the United States Postal Service.

(F) Redirected to the United States Postal Service.

(G) Redirected to the United States Postal Service.

(H) Redirected to the United States Postal Service.

(I) Redirected to the United States Postal Service.

(J) Redirected to the United States Postal Service.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-31 Please refer to Library Reference USPS LR-J-60, particularly your model cost derivations for automation and nonautomation First-Class and Standard letters.

A. Please confirm that your mail flow models for each of the corresponding presort levels, mixed AADC, AADC, 3-Digit, and 5-Digit, are nearly identical, with the only change being a small difference in the Accept/Finalization rates. If you cannot confirm, please explain.

B. Please confirm that your cost models for each of the corresponding automation presort levels, mixed AADC, AADC, 3-Digit, and 5-Digit, are nearly identical, with the only change (aside from that discussed in part A) being a small difference in the premium pay factor. If you cannot confirm, please explain.

C. Please confirm that you used identical productivities for First-Class and Standard Mail letters in your analysis. If you cannot confirm, please explain.

D. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters. If you cannot confirm, please explain and provide the corrected results.

Comparison of First-Class and Standard Mail Model Unit Costs

Rate Category	First-Class Model Costs	Standard Model Costs	Difference
Automation Mixed AADC	4.280	4.173	0.106
Automation AADC	3.368	3.286	0.082
Automation 3-Digit	3.017	2.942	0.074
Automation 5-Digit	1.823	1.778	0.045
Nonautomation Nonmachinable Mixed AADC	17.756	17.110	0.646
Nonautomation Nonmachinable AADC	12.236	12.078	0.158
Nonautomation Machinable Mixed AADC	4.192	4.097	0.095
Nonautomation Machinable AADC	4.192	4.097	0.095
Nonautomation Nonmachinable 3-Digit	10.254	10.295	(0.041)
Nonautomation Nonmachinable 5-Digit	5.709	5.888	(0.179)
Nonautomation Machinable 3-Digit	3.933	3.843	0.090
Nonautomation Machinable 5-Digit	3.933	3.843	0.090

E. Please confirm that, except for nonautomation nonmachinable 3-Digit and 5-Digit letters, First-Class letters have a slightly higher unit mail processing cost than Standard Mail letters that can, for the most part, be tied to the premium pay factor. If you cannot confirm, please explain.

MMA/USPS-T31 (CONTINUED)

F. Please confirm that for nonautomation nonmachinable 3-Digit and 5-Digit letters, First-Class costs less than Standard Mail because its lower package sorting costs more than offset the impact of the premium pay factor. If you cannot confirm, please explain.

G. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters mail packaging sorting costs. If you cannot confirm, please explain.

Comparison of First-Class and Standard Mail Package Sorting Costs

Rate Category	First-Class Pkg Sort Cost	Standard Pkg Sort Cost	Difference
Nonautomation Nonmachinable Mixed AADC	2.311	2.129	0.182
Nonautomation Nonmachinable AADC	1.980	2.129	(0.149)
Nonautomation 3-Digit	0.593	0.927	(0.334)
Nonautomation 5-Digit	0.593	0.927	(0.334)

H. Please describe and define package sorting costs, explain why package sorting costs are only incurred by nonmachinable letters (as opposed to machinable letters), and explain why the package sorting cost per piece is so high?

I. Why are package sorting costs for Standard Mail higher than those for First-Class Mail for the AADC, 3-Digit, and 5-Digit presort levels, but lower than the costs of First-Class Mail for the Mixed AADC presort level?

J. Please explain why the average weight for a Standard Mail letter, which is 64% higher than the average weight for a First-Class letter, has no effect on the unit costs derived from your mail flow models.

RESPONSE:

(A)(B) In general, First-Class Mail letters and Standard Mail letters are processed using the same MODS operation numbers. Consequently, it is not always possible to collect data by class using postal data collection systems. In Docket No. R97-1, separate data were collected as part of USPS LR-H-130. This library reference include accept rates related to the Remote Bar Coding System (RBCS). Some accept rates from that library reference are relied upon in my nonautomation presort letters cost models. Consequently, the volumes processed in a given

RESPONSE TO MMA/USPS-T22-31 (CONTINUED)

operation in the First-Class nonautomation cost models are not identical to those processed in the corresponding Standard nonautomation cost models.

The volumes processed in a given operation in the First-Class automation cost models, however, are identical to those processed in the corresponding automation Standard cost models.

The premium pay factors for First-Class Mail and Standard Mail differ, reflecting the fact that First-Class Mail tends to be processed during the premium pay time periods (Tours I and III) while Standard Mail is not (Tour II). These factors have an effect on both the nonautomation presort letters and automation presort letters costs.

(C) Confirmed.

(D) Confirmed.

(E) It can be confirmed that, all else equal, the First-Class Mail premium pay factor is higher than the Standard Mail premium factor. Consequently, the First-Class presort letters model costs are higher than the corresponding Standard presort letters model costs.

(F) It can be confirmed that when the accept rates, premium pay factors and package sorting costs are all taken into consideration, the model costs estimates for the First-Class nonautomation nonmachinable 3-digit and 5-digit presort letters categories are greater than the cost estimates for the corresponding Standard presort letters categories.

RESPONSE TO MMA/USPS-T22-31 (CONTINUED)

(G) Confirmed.

(H) The package sorting costs represent those tasks performed by mailhandlers that pertain to package sorting based on the package presort level. These costs do not apply to machinable ("upgradable" letters as they are currently defined) because machinable letters must be entered in full trays with no packaging. The costs are what they are because of the data that has been used to develop the cost estimates.

(I) Standard Mail letters has two nonautomation presort letters rate categories: basic and 3-/5-digit presort. Consequently, separate package sorting costs had already been developed for those rate categories. Given that fact, I used the basic package sorting cost as the estimate for the nonautomation nonmachinable mixed AADC and AADC presort letters categories. I used the 3-/5-digit package sorting costs as the estimate for the nonautomation nonmachinable 3-digit and 5-digit categories.

First-Class Mail only has one nonautomation presort letters rate category. Consequently, I further de-averaged the package sorting costs to better approximate the differences that might exist between the nonautomation nonmachinable presort level categories.

(J) As stated in my response to (A) and (B), disaggregated data are not available by class. Along that same vein, disaggregated data are not available for mail pieces of varying weights. CRA adjustment factors are applied to the model costs to compensate for the fact that disaggregated data are not available.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS MILLER
TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION

MMA/USPS-T22-32 Please refer to Library Reference USPS LR-J-60, particularly your CRA costs for automation First-Class and Standard letters on pages 8 and 60.

A. Please confirm the CRA cost results as shown in the table below for automation letters. If you cannot confirm, please explain.

(Please see the table on the next page.)

B. Please confirm the base year percentages for volume presorted by level shown in the table below. If you cannot confirm, please explain and provide the correct percentage.

Comparison of First-Class and Standard Mail Automation Letters
Base Year Volume Percentages By Presort Level

Rate Category	Base Year % FCM Auto Letters	Base Year % STD Auto Letters	Difference
Automation Mixed AADC	6.14%	7.35%	(1.21%)
Automation AADC	6.57%	8.97%	(2.40%)
Automation 3-Digit	53.49%	48.67%	4.82%
Automation 5-Digit	31.17%	35.01%	(3.84%)
Automation Carrier Route	2.63%	-----	2.63%
Total	**100.00%**	**100.00%**	**0.00%**

C. Please confirm that your model derived weighted average unit costs for First-Class Automation letters and Standard Automation letters are 2.683 cents and 2.656 cents, respectively, and that these derivations utilize the volume percentages shown in part B. If you cannot confirm, please explain and provide the correct average unit costs.

D. Please explain why your model costs indicate that First-Class Automation letters cost slightly more to process than Standard Automation letters, but actual CRA costs indicate that Standard Automation letters cost more to process than First-Class Automation letters.

MMA/USPS-T22-32 (CONTINUED)

Comparison of First-Class and Standard Mail Letter CRA Unit Costs

Source	Cost Pool Abbreviation	FCM Auto	Standard Auto	Difference
BMCS	NMO	0.000	0.013	(0.013)
BMCS	OTHR	0.000	0.106	(0.106)
BMCS	PLA	0.000	0.086	(0.086)
BMCS	PSM	0.000	0.002	(0.002)
BMCS	SPBS	0.000	0.014	(0.014)
BMCS	SSM	0.000	0.052	(0.052)
MODS 11	BCS/	0.211	0.225	(0.014)
MODS 11	BCS/DBCS	0.885	0.894	(0.009)
MODS 11	OCR/	0.097	0.123	(0.026)
MODS 12	FSM/	0.006	0.015	(0.010)
MODS 12	FSM/1000	0.002	0.003	(0.001)
MODS 12	LSM	0.000	0.000	0.000
MODS 13	MECPARC	0.001	0.000	0.001
MODS 13	SPBS OTH	0.005	0.022	(0.017)
MODS 13	SPBSPRIO	0.002	0.001	0.001
MODS 13	1SACKS_M	0.015	0.021	(0.006)
MODS 14	MANF	0.003	0.004	(0.001)
MODS 14	MANL	0.190	0.239	(0.049)
MODS 14	MANP	0.001	0.003	(0.002)
MODS 14	PRIORITY	0.002	0.000	0.001
MODS 15	LD15	0.051	0.031	0.020
MODS 17	1BULK PR	0.006	0.006	0.000
MODS 17	1CANCMMP	0.050	0.023	0.027
MODS 17	1OPBULK	0.057	0.186	(0.129)
MODS 17	1OPPREF	0.225	0.217	(0.008)
MODS 17	1PLATFORM	0.290	0.339	(0.049)
MODS 17	1POUCHING	0.131	0.132	(0.001)
MODS 17	1SACKS_H	0.043	0.051	(0.008)
MODS 17	1SCAN	0.018	0.011	0.017
MODS 18	BUSREPLY	0.001	0.000	0.001
MODS 18	EXPRESS	0.001	0.000	0.000
MODS 18	MAILGRAM	0.000	0.000	0.000
MODS 18	REGISTRY	0.001	0.001	0.000
MODS 18	REWRAP	0.002	0.001	0.001
MODS 18	1EEQMT	0.005	0.017	(0.012)
MODS 19	INTL	0.004	0.000	0.004
MODS 41	LD41	0.035	0.032	0.004
MODS 42	LD42	0.000	0.001	(0.001)
MODS 43	LD43	0.109	0.100	0.009
MODS 44	LD44	0.064	0.030	0.035
MODS 48	LD48 EXP	0.000	0.000	0.000
MODS 48	LD48_SSV	0.010	0.006	0.005
MODS 49	LD49	0.190	0.027	0.162
MODS 79	LD79	0.023	0.030	(0.006)
MODS 99	1SUPP_F1	0.040	0.045	(0.005)
MODS 99	1SUPP_F4	0.062	0.034	0.028
NONMODS	ALLIED	0.208	0.153	0.055
NONMODS	AUTOMECH	0.200	0.183	0.017
NONMODS	EXPRESS	0.000	0.000	0.000
NONMODS	MANF	0.002	0.003	(0.001)
NONMODS	MANL	0.294	0.292	0.002
NONMODS	MANP	0.001	0.002	(0.001)
NONMODS	MISC	0.080	0.039	0.041
NONMODS	REGISTRY	0.006	0.000	0.005
TOTAL	**----------**	**3.631**	**3.817**	**(0.186)**

RESPONSE TO MMA/USPS-T22-32 (CONTINUED)

(A) Confirmed. Please note that this table includes the revised figures for USPS LR-J-60 that were filed on 11/05/01.

(B) Confirmed.

(C) Confirmed.

(D) In general, First-Class Mail letters and Standard Mail letters are processed using the same MODS operation numbers. Consequently, it is not always possible to collect data by class using postal data collection systems. CRA adjustment factors are applied to the model costs to compensate for the fact that disaggregated data are not available.

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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Michael T. Tidwell

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November 7, 2001