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

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

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SCHENK TO INTERROGATORIES OF MAJOR MAILERS ASSOCIATION (MMA/USPS-T43-1-9)

The United States Postal Service hereby provides the responses of witness Schenk to the following interrogatories of Major Mailers Association: MMA/USPS-T43-1-9, filed on October 24, 2001.

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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Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
(202) 268–3089 Fax –5402
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MMA/USPS-T43-1 Please refer to page 10 of your Direct Testimony where you describe generally the basis for deriving First-Class and Standard Mail delivery costs, you indicate that you follow the same methodology used by USPS witness Daniel in Docket No. R2000-1, and you state that you are sponsoring Library Reference USPS-LR-J-117.

A. Please confirm that unit delivery costs shown in the table below are derived in your Library Reference USPS-LR-J-117 study in this case. If you cannot confirm, please make any corrections and explain why each such correction is necessary.

Comparison of USPS First-Class and Standard Mail Letter Delivery Costs

Rate Category	Delivery Costs		Difference FC - Std
	First Class	Standard	
Single Piece Letters:	6.037		
Nonautomation Letters:			
Nonautomation Presort Letters	5.933	4.368	1.564
Nonautomation Nonmachinable Mixed ADC	8.408	5.592	2.816
Nonautomation Nonmachinable ADC	8.408	5.592	2.816
Nonautomation Machinable Mixed AADC	4.066	3.847	0.219
Nonautomation Machinable AADC	4.066	3.847	0.219
Nonautomation Nonmachinable 3-Digit	8.408	5.592	2.816
Nonautomation Nonmachinable 5-Digit	8.408	5.592	2.816
Nonautomation Machinable 3-Digit	3.937	3.795	0.142
Nonautomation Machinable 5-Digit	3.937	3.795	0.142
Automation Letters:			
Automation Mixed AADC Letters	4.165	3.887	0.278
Automation AADC Letters	4.165	3.827	0.338
Automation 3-Digit Presort Letters	3.980	3.812	0.168
Automation 5-Digit Presort Letters	3.795	3.738	0.057

B. Please explain why delivery costs vary between First-Class letters and Standard letters. Be sure to include in your answer the impact that average weight and the number of pieces delivered to a post office box might have on First-Class and Standard Mail letter delivery costs.

C. Please explain why the delivery costs vary between the rate categories within First-Class, including First-Class single piece. Please discuss the various cost drivers that affect delivery costs for the rate categories.

D. Please confirm that unit delivery costs shown in the table below correctly compare your results to those of USPS witness Daniel in Docket No. R2000-1 (please note that the BMM delivery costs are estimated by USPS witness Miller (see Library Reference USPS-LR-J-60 at 1, USPS-T-22 at 20)). If you cannot confirm, please make any corrections and explain why each such correction is necessary.

Comparison of USPS Letter Delivery Unit Costs
In Docket Nos. R2000-1 and R2001-1

First-Class Category	Delivery Unit Costs in Cents		Difference R01-1 – R00-1
	R00-1	R01-1	
Single Piece Letters	5.362	6.037	0.675
BMM Letters	5.479	4.066	(1.413)
Nonautomation Presort Letters	5.479	5.933	0.454
Nonautomation Nonmachinable Mixed ADC		8.408	
Nonautomation Nonmachinable ADC		8.408	
Nonautomation Machinable Mixed AADC		4.066	
Nonautomation Machinable AADC		4.066	
Nonautomation Nonmachinable 3-Digit		8.408	
Nonautomation Nonmachinable 5-Digit		8.408	
Nonautomation Machinable 3-Digit		3.937	
Nonautomation Machinable 5-Digit		3.937	
Automation Mixed AADC Letters		4.165	
Automation AADC Letters		4.016	
Automation Basic Letters	4.319		
Automation 3-Digit Presort Letters	4.196	3.980	(0.216)
Automation 5-Digit Presort Letters	2.966	3.795	0.829
Automation 5-Digit Presort Letters (CSBCS/Manual Sites)	6.160	6.161	0.001
Automation Carrier Route Presort Letters	6.059	6.060	0.001
Source:	USPS-LR-I-95 (rev)	USPS-LR-J-117	

E. Please confirm that the unit delivery costs for First-Class single piece are expected to rise by .675 cents between TY 2001 and TY 2003. If you confirm, please explain why such costs are expected to rise by 12.6% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

F. Please confirm that the unit delivery costs for First-Class Nonautomation presort letters are expected to rise by .454 cents between TY 2001 and TY 2003. If yes,

please explain why such costs are expected to rise by 8.3% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

G. Please confirm that the unit delivery costs for First-Class Automation 3-digit presort letters are expected to decrease by .216 cents between TY 2001 and TY 2003. If yes, please explain why such cost [sic] go down by 5.1% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

H. Please confirm that the unit delivery costs for First-Class Automation 5-digit presort letters are expected to rise by .829 cents between TY 2001 and TY 2003. If yes, please explain why such cost [sic] are expected to rise by 28.0% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

I. Please confirm that the unit delivery costs for First-Class BMM letters are expected to decrease by 1.413 cents between TY 2001 and TY 2003. If yes, please explain why such costs are expected to go down by 25.8% between TY 2001 and TY 2003. If you do not confirm, please provide the correct figures and explain the reason for such corrections.

J. For workshare letters, have you attempted to isolate the impact of presortation level on delivery costs? If yes, please explain how you accomplished this specifically addressing the effect that weight and p.o. box delivery has on delivery costs.

K. Please explain how, if any, delivery operations differ between single piece First-Class letters and BMM letters, which causes the former to cost on average 50% more.

L. Please refer to Library Reference USPS-LR-J-53. Please confirm that the test year volume estimate for metered mail letters is 17,006,096,000. If you cannot confirm, what is the estimated volume of metered mail letters in the test year?

M. Please refer to Library Reference USPS-LR-J-53. Please confirm that the test year volume estimate for single piece letters is 43,018,465,000. If you cannot confirm, what is the estimated volume of single pieces letters in the test year?

N. Please confirm that the test year volume estimate for stamped single piece letters is 43,018,465,000 letters – 17,006,099,000 letters = 26,012,366,000 letters. If you cannot confirm, please explain why not and state what the estimated volume of stamped single pieces letters in the test year is.

O. Please confirm that the test year stamped single piece delivery cost can be estimated by using the volume information provided in parts L through N of this interrogatory, the unit delivery costs that you derive for First-Class single piece

letters, and the First-Class metered mail unit delivery cost assumed by USPS witness Miller? For example, if the volume figures suggested in parts L through N of this interrogatory are correct, then the stamped single piece unit delivery cost can be computed as shown in the following table. If you cannot confirm, please provide an estimate of the stamped single piece unit delivery cost and support your answer.

Estimation of TY First-Class Stamped Letter Unit Delivery Cost

First-Class Category		(1) TY Volume (000)	(2) TY Unit Del Cost ($)	(3) TY Del Cost ($000) (1) x (3)
[1]	Total Single Piece Letters	43,018,465	0.06037	2,596,938
[2]	Metered Letters	17,006,096	0.04066	691,468
[1] - [2]	Stamped Letters	26,012,369	0.07325	1/ 1,905,470
1/ Computed 1,905,470 / 26,012,369				

P. Please explain why stamped letters cost 80% more than metered letters for delivery service.

Q. Please confirm that letters delivered to a post office box completely bypass carrier route sequencing operations and out-of-office delivery costs. If you cannot confirm, please explain why not.

R. Please confirm that your delivery cost estimate for single piece letters assumes that 33% of all single piece letters will be delivered to a post office box. (See Library Reference USPS-LR-J-117, worksheet "Delivery Volumes".) If you cannot confirm, please explain why not.

S. Please confirm that your delivery cost estimate for presorted letters assumes that 13% of all presorted letters will be delivered to a post office box. (See Library Reference USPS-LR-J-117, worksheet "Delivery Volumes".) If you cannot confirm, please explain why not.

T. If only 13% of single piece letters were delivered to a post office box, would the delivery cost for these pieces be higher or lower than the 6.037 cent estimate you derived? Please explain your answer.

U. Please estimate the average delivery cost for only those single piece letters that are actually delivered. For purposes of this interrogatory request, letters that are delivered to a post office box should be removed from the analysis.

V. Please estimate the average delivery cost for only those presorted letters that are actually delivered. For purposes of this interrogatory request, letters that are delivered to a post office box should be removed from the analysis.

RESPONSE:

A. Confirmed with the following exceptions. First, the carrier costs for First-Class Automation AADC letters are 4.016 cents per piece, not 4.165 cents as stated in the given table (see cell C19, spreadsheet 'Table 1' in LR-J-117.xls). The difference between First-Class and Standard for Automation AADC letters carrier costs is then 0.189 cents (not 0.338 cents, as given). Second, the carrier cost for all Standard Nonautomation Presort Letters is 4.743 cents per piece (not 4.368 cents, as given). This cost is calculated by taking the total TY delivery costs for all nonautomation Standard letters (sum of cells K58-K65 in spreadsheet 'summary TY' in LR-J-117.xls) and dividing by the TY volume of nonautomation Standard letters (sum of cells L58-L65 in spreadsheet 'summary TY' in LR-J-117.xls). Based on this correction, the difference between First-Class and Standard Nonautomation Presort letters carrier costs is 1.190 cents (not 1.564 cents, as given). All other costs stated in the above table are confirmed.

B. The estimated fraction of Standard letters delivered to post office boxes is 17 percent, which is higher than that for First-Class presort letters (13 percent). A higher rate of deliveries to post office boxes would tend to result in lower carrier costs per piece for Standard letters. Additionally, carrier costs for undeliverable-as-addressed (UAA) mail would tend to be lower for Standard letters than for First-

Class letters. Any impact weight has on in-office carrier costs is reflected in the cost data for the relevant cost segments.

C. The measured differences within First-Class presort result from differences in the estimated percentage of DPS pieces in each rate category. The differences between single-piece and presorted First-Class letters are likely driven by the differences in the fractions of machinable and, by extension, DPS pieces, the relative address quality and UAA costs, and the presence of collection-related costs for single-piece First-Class. These factors would tend to result in higher single-piece unit carrier costs relative to presorted First-Class. The aforementioned factors will tend to be offset, to some extent, because there is a higher percentage of single-piece First-Class letters delivered to post office boxes than First-Class presort letters.

D. Confirmed with the following exceptions. The R2000-1 unit carrier cost for Automation 5-Digit Presort Letters is 3.997 cents (not 2.966 cents, as given). The 2.966 cents cost given in the table is only applicable to DBCS sites (note that the corresponding R2001-1 cost for DBCS sites is 2.894 cents). The correct cost difference for Automation 5-Digit First-Class Presort letters is –0.202 cents.

E. Confirmed. The increase appears largely to result from increased carrier wages (the forecast TY 2003 city carrier wage is 10.35 percent higher than the TY 2001 wage from Docket No. R2000-1), which is somewhat offset by higher degrees of DPS sortation.

F. Confirmed. See response to part E.

G. Confirmed. See response to part E.

H. Not confirmed. See the response to part D, above.

I. TY2001 and TY2003 unit delivery cost estimates for First-Class Bulk Metered Mail (BMM) letters are not directly comparable because different assumptions were used to develop these costs. In R2000-1, witness Daniel used the unit delivery costs for nonautomation presort letters as a proxy for the unit delivery costs of BMM letters. In R2001-1, witness Miller used the unit delivery costs for nonautomation machinable Mixed AADC letters as a proxy for the unit delivery costs of BMM letters. No directly comparable unit delivery cost was developed by witness Daniel in R2000-1.

J. Yes. For "workshare" letters (presorted First-Class and Standard non-ECR letters), the effect of the presort level is isolated in the analysis in USPS-LR-J-117 to the extent that the presort level determines the percentage of DPS pieces for a given presort category.

K. The differences between single-piece and BMM First-Class letters are likely driven by the differences in the fractions of machinable and, by extension, DPS pieces, the relative address quality and Undelivered-As-Addressed (UAA) costs, and the avoidance of collection-related costs for BMM First-Class letters. These factors would tend to result in higher unit carrier costs for all First-Class Mail single-piece letters relative to BMM letters.

L. Confirmed.

M. Confirmed.

N. Not confirmed. The calculation presented in part (N) of this interrogatory yields an test year volume estimate for single piece First-Class letters with all indicia other than meter imprints, which includes but is not limited to stamped mail. Based on data in USPS-LR-J-112, Table 10, the TY volume of single piece stamped First-Class letters is 23,334,537,000 pieces and of First-Class letters with other indicia is 2,677,832,000 pieces.

O. Not confirmed. The method described in part (O) of this interrogatory and the accompanying table contains two errors. First, as indicated in the response to part (N), above, the calculation from part (N) of the interrogatory does not yield the stamped volume. Second, it is inappropriate to use witness Miller's BMM delivery cost estimate—which employs the unit cost for machinable nonautomation mixed-AADC First-Class presort letters (see USPS-T-22, page 20, lines 21-23)—as an estimate of carrier costs for metered single piece First-Class letters as a whole. The table presented below provides the appropriate comparison of estimated unit delivery costs by indicia for single piece First-Class letters.

Estimation of TY First-Class Stamped Letter Unit Delivery Cost			
First-Class Category	(1) TY Volume (000)*	(2) TY Unit Delivery Cost** ($)	(3) TY Delivery Cost ($000) (1) x (3)
Total Single Piece Letters	43,018,465	0.0604	2,596,938

Metered Letters	17,006,096	0.0592	1,007,436
Stamped	23,334,537	0.0600	1,401,025
Other	2,677,832	0.0704	188,477

*Source: USPS-LR-J-112

**Source: TY CRA costs distributed based on BY costs (developed using LIOCATT methodology).

P. As shown in the table provided in response to part O, stamped letters do not cost 80 percent more than metered letters for delivery service.

Q. Not confirmed. It is generally true (i.e., barring mis-sorts) that pieces addressed to post office boxes will avoid carrier route sequencing operations. However, it is not generally true that letters addressed to post office boxes will avoid all carrier costs, since some letters addressed to post office boxes will be collected by carriers.

R. Partly confirmed. The 33 percent figure for single piece First-Class Mail delivered to P.O. Boxes is not assumed, but rather is calculated by subtracting city delivery and rural delivery volumes from the RPW volumes for single piece First-Class Mail. The referenced calculations in USPS-LR-J-117 assume that the percentage of single piece First-Class letters delivered to P.O. Boxes is the same as that for all single piece First-Class Mail.

S. Partly confirmed. The 13 percent figure for presorted First-Class Mail delivered to P.O. Boxes is not assumed, but rather is calculated by subtracting city delivery and rural delivery volumes from the RPW volumes for presorted First-Class Mail. The referenced calculations in USPS-LR-J-117 assume that the percentage of presorted

First-Class letters delivered to P.O. Boxes is the same as that for all presorted First-Class Mail.

T. I am assuming that "delivery cost for these pieces" refers to the unit carrier costs for First-Class single piece letters (per RPW piece) as reported in USPS-LR-J-117. Other things being equal, if fewer First-Class single piece letters were delivered to P.O. Boxes, I would expect measured unit carrier costs for First-Class single piece letters to increase.

U. Test year unit carrier cost for First-Class single piece letters delivered by carriers can be estimated by dividing the LR-J-117 Total Unit Cost for single-piece letters by (1 – percentage of single piece letters delivered to P.O. Boxes). This calculation results in the test year unit carrier cost for First-Class single piece letters delivered by carriers of $0.0901, which is an overestimate of the unit carrier costs for these pieces delivered by carriers, since collection costs associated with pieces delivered to P.O. Boxes are included in total unit costs.

V. Test year unit carrier cost for First-Class presort letters delivered by carriers can be estimated by dividing the LR-J-117 Total Unit Cost for presort letters by (1 – percentage of presort letters delivered to P.O. Boxes). This calculation results in the test year unit carrier cost for First-Class presort letters delivered by carriers of $0.0481, which is an overestimate of the unit carrier costs for these pieces delivered by carriers, since collection costs associated with pieces delivered to P.O. Boxes are included in total unit costs.

MMA/USPS-T43-2 Please refer to Library Reference USPS-LR-J-117, worksheet "summary BY."

A. Please fully explain your methodology for deriving costs for sub-segment 6.1 (City Carrier In-Office Labor) for single piece letters.

B. Please fully explain your methodology for deriving costs for sub-segment 6.1 (City Carrier In-Office Labor) for presorted letters.

RESPONSE:

A.-B. For cost segment 6.1, I use the Carrier Mixed Mail (CARMM) methodology, described by witness Shaw (see USPS-T-1 at 7, lines 12-19), to estimate costs by Cost and Revenue Analysis (CRA) rate categories and shape, including single piece and presorted First-Class Mail letters.

MMA/USPS-T43-3 Please refer to Library Reference USPS-LR-J-117 worksheets "summary TY" and "letters 93."

A. Please explain why, on worksheet "summary TY", Line 29, Column A, shows the "nonDPS unit cost (FY93 LIOCATT Costs wage rate adjusted to FY01 dollars)", rather than TY03 dollars.

B. Please explain why, on worksheet "letters 93", footnote 9 refers to the "FY98 wage rate", rather than the Base Year 2000 wage rate. Please provide the specific source, including the exact page and line number, for the FY98 wage rate of $27.74. What is the relevance of this wage rate in this case?

C. Please explain why, on worksheet "letters 93", footnote 10 refers to the "FY01 wage rate", rather than the TY03 wage rate. Please provide the specific source, including the exact page and line number of USPS-T-12, for the FY01 wage rate of $32.62.

D. Please explain why, on worksheet "letters 93", columns [6] and [7] are ratioed unit cost for $FY98 and $FY01, respectively. What is the relevance to FY98 and FY01 in this case?

E. Please explain how the following factors impact your use of FY 93 data as the basis for the ratioed unit costs in columns [6] and [7] of "letters 93."
   1. Change in mail mix between FY 93 and the test year in this case;
   2. Inclusion of zip+4 letters which no longer exist; and
   3. Change in the relative volumes delivered by carrier and the volumes delivered to post office boxes.

F. Is column [4] of worksheet "letters 93" the total volume of letters or the total volume of letters processed by those routes covered in columns [1] and [2]?

G. Please provide for FY 93 the volumes by rate category as shown in column [4] of worksheet "letters 93."

RESPONSE:

A. The referenced label was inadvertently not updated. The referenced nonDPS unit cost of $0.0311 is adjusted to TY 2003 wage levels.

B. The referenced label was inadvertently not updated. The referenced wage rate is the BY 2000 wage. See National Payroll Hours Summary Report (NPHSR), AP 13 2000 Report A, Average Hourly Rate, Line 43, City Delivery Carrier, Consolidated.

C. The referenced label was inadvertently not updated. The referenced wage rate is the TY 2003 wage. See USPS-LR-J-50, Chapter 9, Section B.

D. The referenced label was inadvertently not updated. The referenced costs are adjusted to BY 2000 wage levels.

E. The purpose of the FY93 data is to obtain unit carrier in-office costs from a non-DPS environment to estimate the costs of handling non-DPS letters in the test year. Consequently, to the extent that the factors listed would affect the DPS percentage, they are irrelevant to the analysis. I have not performed any analysis to determine the impact of the other listed factors on the costs of handling non-DPS letters.

F. It is my understanding that the referenced volumes are the total volumes of letters for the given rate categories.

G. I assume that this part is asking for a breakdown of the total First-Class single-piece and workshared volumes provided in cells F8 and F15, respectively, by rate category for FY93. To my knowledge, the detailed data are not available.

MMA/USPS-T43-4 Are the costs associated with placing letters into a post office box considered mail processing, in-office delivery, or out-of-office delivery costs? Please explain. If such costs are mail processing, then is it true that the delivery cost for a letter that is delivered to a post office box is zero by definition? If no, please explain.

RESPONSE:

The activities involved in the distribution of mail to post office boxes, including placing mail in the box, are generally performed by clerks; the associated labor costs are part of mail processing (cost segment 3.1). It is generally true (i.e., barring mis-sorts) that pieces addressed to post office boxes will not be delivered by carriers. However, it is not generally true that letters addressed to post office boxes will avoid all carrier costs, since some letters addressed to post office boxes will be collected by carriers.

MMA/USPS-T43-5. Please refer to Library Reference USPS-LR-J-117, worksheets "summary BY" and "Delivery Volumes."

A. Please confirm that you project 13% of total First-Class presorted letters will be delivered to post office boxes. If you cannot confirm, please explain.

B. Please confirm that you project 33% of total First-Class single piece letters will be delivered to post office boxes. If you cannot confirm, please explain.

C. Please confirm that for each category within First-Class presorted letters, you project that 13% of the letters will be delivered to post office boxes. If you cannot confirm, please explain.

D. What is the basis for your assumption that the delivery characteristics that constitute total presorted letters can be broken down proportionally to each of the 14 separate rate categories within First-Class presorted letters, particularly when the volumes for most of those categories are quite small compared to Automation 3-digit and 5-digit? Please support your assumption that the delivery characteristics exhibited by total presorted volumes will be shared proportionally for each of the 8 subcategories you list for non-automation letters.

E. Please explain how, for First-Class presorted mail, the total of rural route parcels (1,872) plus the total city carrier parcels (15,215) is greater than the RPW total parcels (9,980).

RESPONSE:

A. Please see the response to MMA/USPS-T43-1(s).

B. Please see the response to MMA/USPS-T43-1(r).

C. Confirmed.

D. It is not clear to which calculations this interrogatory refers. However, it is not true, in general, that the LR-J-117 analysis assumes identical or proportional "delivery characteristics" within presorted First-Class letters.

E. The referenced volumes are statistical estimates from independent data systems. The estimated rural delivery and city delivery parcel volumes are subject to statistical variation and not controlled to sum to the RPW volume.

MMA/USPS-T43-6 Please refer to USPS-LR-J-117, worksheet "summary BY."

A. Do you agree that the unit cost incurred by city carriers to deliver a First-Class single piece letter is 10.22 cents? [Divide the piggybacked total city delivery costs by the single piece city delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.

B. Do you agree that the unit cost incurred by city carriers to deliver a First-Class presorted letter is 4.56 cents? [Divide the piggybacked total city delivery costs by the presorted city delivery letter volume from worksheet "Delivery Volumes If you cannot confirm, please explain why not and provide the correct unit cost.

C. Do you agree that the unit cost incurred by rural carriers to deliver a First-Class single piece letter is 3.07 cents? [Divide the piggybacked segment 10 costs by the single piece rural delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.

D. Do you agree that the unit cost incurred by rural carriers to deliver a First-Class presorted letter is 3.12 cents? [Divide the piggybacked segment 10 costs by the presorted rural delivery letter volume from worksheet "Delivery Volumes."] If you cannot confirm, please explain why not and provide the correct unit cost.

E. If you can confirm parts A through D, please explain why it costs more than twice as much for a city carrier to deliver an average First-Class single piece than an average presorted letter, but it costs about the same for a rural carrier to deliver such pieces.

RESPONSE:

A. No. The city carrier costs used in the unit cost calculation described in MMA/USPS-T43-6A include both delivery and collection costs for First-Class single piece letters. Excluding collection costs, the BY 2000 unit cost is 9.57 cents.

B. Yes.

C. No. The costs and volumes used in the unit cost calculation described in MMA/USPS-T43-6C include both delivery and collection costs and volumes for First-Class single piece letters. Excluding collection costs and volumes from,

respectively, the numerator and denominator of the unit cost calculation yields a BY 2000 unit cost of 3.71 cents.

D. Yes.

E. The city carrier costs depend on the actual labor required to deliver the piece. The rural carrier costs depend on contractually specified route evaluation factors that may differ from the actual costs.

MMA/USPS-T43-7. Please refer to USPS-LR-J-117, worksheet "letters 93."

A. Please confirm that columns [1] through [3] provide the costs to process nonDPSed letters. If you cannot confirm, please explain.

B. Please confirm that column [4] provides total volumes for the respective rate categories, including volumes delivered to a post office box that did not incur the costs shown in columns [1] through [3]. If you cannot confirm, please explain.

C. Please provide the corresponding FY 93 First-Class volumes for each rate category that were delivered by:

1. City carriers;
2. Rural carriers; and, implicitly,
3. To post office boxes.

RESPONSE:

A. Partly confirmed. The referenced costs are the FY 1993 city carrier in-office (cost segment 6.1) costs for the IOCS activity codes in column A of the worksheet. Insofar as automated delivery point sequencing was not generally deployed until after FY 1993, the FY 1993 costs in columns [1] through [3] in worksheet 'letters 93' represent city carrier in-office costs for letter mail categories in a non-DPS environment.

B. Confirmed.

C. To my knowledge these data are not available.

MMA/USPS-T43-8. Please refer to USPS-LR-J-117, worksheet "summary BY."

A. Please confirm that when you deaverage the unit delivery costs for the various rate categories within presorted First-Class, the cost driver specifically for City Carrier In-Office labor costs, segment 6.1, is the percent of letters sorted to delivery point sequence (DPS) by automation. If you cannot confirm, please explain.

B. Please confirm that as shown in your column B (%DPS) machinable letters are much more likely to have a higher %DPS, resulting in a much lower segment 6.1 unit cost, as shown in column C. If you cannot confirm, please explain.

C Please confirm that all workshare automation letters are required to be machinable. If you cannot confirm, please explain.

D. Please confirm that because workshare automation letters are required to be machinable, they have a very high probability of being DPS sorted, all things being equal. If you cannot confirm, please explain.

E. Please confirm that according to your data shown in column B, the DPS percentage increases as the level of presort increases, when automation is available in the delivery office. If you cannot confirm, please explain.

F. Please confirm that the Postal Service has no actual data that provides the DPS percentage by First-Class rate category, and that the only DPS percentages that the Postal Service has are theoretical estimates provided by USPS witness Miller's mail flow models? If you cannot confirm, please explain. If the Postal Service has actual data, please provide that data for the base year in this case and the previous 5 annual periods.

G. What is the DPS percentage for all First-Class single piece letters? Please support your answer.

H. Please confirm that metered mail letters have no prerequisite requirements or regulations that require it to be machinable, yet the Postal Service estimates that it's DPS percentage is virtually the same as non-automation machinable letters, automation mixed AADC, automation AADC, and automation 3-Digit. If you cannot confirm, please explain.

I. Are metered letters, which make up approximately 40% of single piece letters, more likely to take on the delivery characteristics, of single piece letters or more likely to take on the delivery characteristics of presorted, machinable, non-prebarcoded mixed AADC letters. Please explain your answer and be sure to discuss the fact that the volume of metered letters outnumbers presorted, machinable, non-barcoded, mixed AADC letters by about 30 to 1.

RESPONSE (MMA/USPS-T43-8):

A. Confirmed, in that the percent of letters sorted to delivery point sequence by automation is used to distribute city carrier in-office costs (segment 6.1) to rate categories within presorted First-Class letters.

B. Confirmed.

C. Confirmed.

D. Confirmed.

E. Not confirmed. The estimated percentage of DPS pieces is lower for automation carrier route letters than for 5-digit automation letters.

F. Confirmed.

G. It is my understanding that the requested data are not available.

H. Not confirmed. The Postal Service does not equate the DPS percentage for machinable non-automation presort letters with that for metered mail letters taken as a whole, but for BMM letters.

I. First-Class single piece metered letters are not homogeneous in terms of mail characteristics. MMA/USPS-T43-1(K) discusses the factors that cause differences in carrier costs associated with single piece First-Class letters (including non-BMM metered letters) and BMM First-Class letters.

MMA/USPS-T43-9. Please refer to USPS-LR-J-117, worksheets "summary BY" and "summary TY". In worksheet "summary BY" you show that the unit cost to deliver nonDPSed letters is 2.65 cents and the cost to deliver DPSed letters is .5 cents each. In worksheet "summary TY" these two cost figures are 3.11 cents and .5 cents, respectively.

A. Please state precisely what is meant by each of these four average cost figures, including the time period and precise operations that are covered by each cost.

B. Do these figures take into account that, for presorted letters, 13% of the pieces were delivered to post office boxes in the base year? Would these figures change if, in the test year, the percentage of pieces delivered to post office boxes were to, say, double?

C. Please explain why the average unit cost to deliver nonDPSed letters is expected to increase by 17% between the base year and test year, but that the average unit cost to deliver DPSed letters is expected to remain the same.

RESPONSE:

A. The referenced costs are the cost segment 6.1 (city carrier in-office) cost per RPW piece for presorted First-Class letters. The referenced costs on the "summary BY" page are for BY 2000; those on the "summary TY" page are for TY 2003. See USPS-LR-J-1, Section 6.1.1, for a description of the activities encompassed by cost segment 6.1.

B. The percentage of presorted letters delivered to post office boxes is implicit in the level of the referenced unit costs. If the percentage of presorted letters delivered to post office boxes were to double, the actual carrier in-office costs would be expected to decline, other things being equal.

C. Assuming that the average "unit cost" figures referenced in this part are the unit carrier costs from the preamble to MMA/USPS-T43-9, please note that the

referenced unit costs represent the unit city carrier costs for in-office activities; see the response to part A. The non-DPS unit cost increases by "17%" (actually, 17.56 percent) because the actual labor time required for a city carrier to case a non-DPS letter is assumed constant, while the wage rate is projected to increase by 17.56 percent (which rounds to 18 percent). The DPS unit carrier cost increases by a smaller amount (1.2 percent) because, in the de-averaging procedure, city carrier in-office cost reductions largely offset the effect of the wage increase.

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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Nan K. McKenzie

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260–1137
November 14, 2001